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**AGENDA FOR THE AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)**

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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, **23 January 2018 at 7.00 pm.**

**Yinka Owa**  
**Director of Law and Governance**

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Despatched : 15 January 2018

Membership

Vacancy  
Councillor Nick Wayne (Vice-Chair)  
Councillor Satnam Gill OBE  
Councillor Rakhia Ismail  
Alan Begg (Independent Member)  
Nick Whitaker (Independent Member)

Substitute Members

Councillor Mouna Hamitouche MBE  
Councillor Robert Khan  
Councillor Marian Spall  
Councillor Flora Williamson

**Quorum: is 3 Councillors**



<b>A. Formal Matters</b>	<b>Page</b>
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 meeting	1 - 4
<b>B. Items for Decision - Audit Committee</b>	<b>Page</b>
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2. Annual Treasury Management and Investment Strategy 2018-2019	13 - 36

<b>C.</b>	<b>Items for Decision - Audit (Advisory) Committee</b>	<b>Page</b>
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5.	Islington Council's Use of Agency Workers	85 - 102

**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.

<b>F.</b>	<b>Confidential/exempt items</b>	<b>Page</b>
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**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 19 March 2018

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London Borough of Islington

## **Audit Committee and Audit Committee (Advisory) - 19 September 2017**

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Committee Room 4, Town Hall, Upper Street, N1 2UD on 19 September 2017 at 7.30 pm.

**Present:**           **Councillors:**           Kat Fletcher (Chair), Nick Wayne and Mouna Hamitouche.  
**Also Present:**       **Independent member:**       Alan Begg and Nick Whittaker.

### **Councillor Kat Fletcher in the Chair**

#### **157       APOLOGIES FOR ABSENCE (Item A1)**

Apologies for absence were received from Councillors Satnam Gill and Rakhia Ismail.

#### **158       DECLARATION OF SUBSTITUTE MEMBERS (Item A2)**

Councillor Hamitouche substituted for Councillor Gill.

#### **159       DECLARATIONS OF INTEREST (Item A3)**

There were no declarations of interest.

#### **160       MINUTES OF PREVIOUS MEETING (Item A4)**

##### **RESOLVED:**

That the minutes of the meeting held on 14 June 2017 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

#### **161       STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT (Item B1)**

Mohammad Sajid gave a presentation to the Committee.

In the discussion it was noted that:-

- In response to a question regarding business rate exemptions it was agreed that further information would be sent to Councillor Hamitouche.
- The Government was moving the timescale in future years in order that the Statement of Accounts be agreed by the end of July. This would have to be resourced for 2018.
- The external auditors stated that it was intended to issue an unqualified audit opinion on the financial statements reflecting their robust nature and accuracy. It was also expected that an unqualified value for money conclusion would also be issued for the deadline of the 30 September 2017.
- The external auditors highlighted the key elements of the Annual Governance report and made four recommendations which were accepted by officers.
- Concerns were raised that the audits for 2013/14, 2014/15 and 2015/16 could not be formally concluded as there were elector queries still outstanding that related to these years. It was noted that electors could still raise further issues while the

accounts were still open, even for previous years. It was also necessary to allow the elector a reasonable amount of time to provide detailed information.

- The Committee considered it was desirable to conclude any outstanding issues as soon as possible and requested information regarding the length of time taken to resolve the original complaint in relation to 2013/14.
- The accounts would be approved even with outstanding objections but no certificate would be able to be issued until the issue was resolved.

**RESOLVED** that

- 1) The audited Statement of Accounts, Pension Fund Accounts and the Annual Governance Statement be approved;
- 2) The auditor's Annual Governance report and Value for Money conclusion be noted;
- 3) The action plan at Appendix 1 of the Annual Governance report be approved;
- 4) The letter of representation as set out in Appendix B of the report be approved.
- 5) Further information regarding business rate exemptions be sent to Councillor Hamitouche.
- 6) Information regarding the length of time it had taken to resolve the original elector complaint in 2013/2014 be sent to members of the Audit Committee.

**162**      **REVIEW OF POLLING DISTRICTS AND PLACES (Item B2)**

Andrew Smith presented the proposed changes to polling districts and changes following the election held in June 2017.

It was reported that regarding the options available for Highbury East ward, option 1 would be a significant walk for electors at the north or centre of the polling district whilst Option 2 was more at the population centre.

**RESOLVED** that

- 1) The changes set out in the report in relation to Highbury West and Barnsbury wards be agreed;
- 2) That Option 2, St Joan of Arc Community Centre, Kelross Road, be agreed as the new polling place for Highbury East for polling district NHEC.
- 3) That the comments regarding all other wards be noted.

**163**      **ANNUAL STANDARDS AND MEMBERS CONDUCT REPORT (Item C1)**

**RESOLVED** that the report be noted.

**164**      **MARKET SUPPLEMENTS (Item C2)**

In the discussion the following was noted:-

- The use of market supplements had been introduced in March 2015 which had been a relatively short time to judge their effectiveness.
- It was considered that while market supplements may partly provide a solution it would also be beneficial to look at recruitment processes.
- Even with the introduction of market supplements for HASS, approximately 50% of posts remained unfilled and the reasons for this would need to be pursued.
- It was noted that there could be an issue around recruitment campaigns and HR wished to work with managers to look at this.

**RESOLVED** that

- 1) The update be noted.
- 2) That there be a further update to Audit Committee in six months.

**165**      **INTERNAL AUDIT ANNUAL REPORT 2016-17 (Item C3)**

In discussion the following points were noted:-

- A moderate assurance had been issued for the overall opinion and it was expected that any follow up work would not cause any concern.
- Work was allocated between PWC and officers in-house to ensure there was a seamless service.
- Where issues were given a high priority they may be given a three month target date. There was generally good compliance where concerns had been raised. It was noted that the Chief Executive also requested follow up outcomes and tracked audits which encouraged a high level of officer engagement.

**RESOLVED** that the contents of the report and the appendices be noted.

**166**      **WHISTLEBLOWING REPORT - APRIL - AUGUST 2017 (Item C4)**

In the discussion the following points were noted:-

- There was to be some audit work undertaken which would include partnership working.
- The whistleblowing policy was to be republished shortly which may encourage more referrals.

**RESOLVED** that the report be noted.

**167**      **WHISTLEBLOWING REPORT - EXEMPT APPENDIX (Item E1)**

**RESOLVED** that the exempt appendix be noted.

The meeting ended at 8.40 pm

**CHAIR**

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## Report of: Corporate Director Resources

Meeting of:	Date	Ward(s)
Audit Committee	23 <sup>rd</sup> January 2018	All

Delete as appropriate	Exempt	Non-exempt

## COUNCIL TAX BASE AND NATIONAL NON DOMESTIC RATES 2018-19

### 1. SYNOPSIS

- 1.1 This report covers the Council Tax base calculation and National Non Domestic Rates (NNDR) estimate for the financial year 2018-19, as well as the forecast Collection Fund position for the financial year 2017-18.

### 2. RECOMMENDATIONS

- 2.1. To agree that the Council Tax base for the whole area for 2018-19 (or until rescinded) shall be 78,175.8 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 2018-19 (or until rescinded) shall be 44.9 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.3** and **Appendix B**)
- 2.3. To note the Council Tax forecast for 2017-18. (**Paragraph 5.1** and **Appendix C**)
- 2.4. To note the NNDR forecast for 2017-18. (**Paragraph 6.1** and **Appendix D**)
- 2.5. To delegate authority to the Corporate Director Resources for finalising the NNDR1 Form (detailed business rates estimate) for 2018-19, which will feed into the estimate for the London Business Rates Retention Pilot Pool 2018-19. (**Paragraph 6.2**)

### 3. BACKGROUND

- 3.1. The Council is required to calculate its Council Tax base for the next financial year and notify precepting authorities by 31<sup>st</sup> January of the preceding financial year. On 26<sup>th</sup> June 2008, the Council

established an Audit Committee and delegated responsibility for determining the Council Tax base to that committee. The Council tax base will be used to calculate the level of Council Tax to be set by Council on 23<sup>rd</sup> February 2017.

- 3.2. The Lloyd Square Garden Management Committee issues a special levy on the Council to meet the expenditure involved in the maintenance of the private garden in Lloyd Square. It is therefore necessary for the Council to calculate separately the tax base for the Lloyd Square Garden area.
- 3.3. The Council is also required to forecast whether there will be a surplus or deficit in its Collection Fund (both Council Tax and NNDR) at the end of the current financial year and incorporate its share of any surplus or deficit in its budget for the next financial year.
- 3.4. Since the introduction of business rates retention for local authorities in 2013-14, the Council is also required to estimate its retained share of NNDR for the next financial year for inclusion in its budget.

#### **4. COUNCIL TAX BASE ESTIMATE 2018-19**

- 4.1. The Council Tax base calculation for 2018-19 has been prepared on the following basis:
  - 4.1.1. The number of dwellings on the Valuation List as at 30<sup>th</sup> November 2017, adjusted for exemptions, discounts and disabled relief;
  - 4.1.2. The Council Tax support scheme for 2018-19 agreed by Council on 7<sup>th</sup> December 2017;
  - 4.1.3. Provision for existing relief for care leavers and new Council Tax reliefs for foster carers and Shared Lives carers with effect from 1<sup>st</sup> April 2018 (to be agreed by Council as part of the 2018-19 budget report);
  - 4.1.4. The estimated collection rate for 2018-19 of 98.0%.
- 4.2. The Council Tax base calculation for the Council's whole area for 2018-19 is set out at **Appendix A**; applying a collection rate of 98.0% results in a Council Tax base figure of 78,175.8.
- 4.3. The Council Tax base calculation for the Lloyd Square Garden area for 2018-19 is set out at **Appendix B**; applying a collection rate of 98.0% results in a Council Tax base figure of 44.9.

#### **5. COUNCIL TAX FORECAST 2017-18**

- 5.1. In the 2016-17 Statement of Accounts the final Council Tax position was a surplus of £3.146m, of which £2.776m was budgeted in setting the 2017-18 Council Tax base and £0.370m was an additional unbudgeted surplus carried forward to 2017-18. A further £0.108m in-year surplus is forecast in 2017-18, resulting in a total forecast Council Tax surplus of £0.478m in 2017-18 (£0.379m Islington Council share; £0.099m Greater London Authority (GLA) share). This is set out at **Appendix C**. The GLA will be notified of this position and the Council's share of the one-off surplus will be included in the 2018-19 budget.

#### **6. NATIONAL NON DOMESTIC RATES 2017-18 FORECAST and 2018-19 ESTIMATE**

- 6.1. In the 2016-17 Statement of Accounts the NNDR account was in surplus by £6.359m, of which £6.199m was budgeted in the 2017-18 NNDR1 Form (detailed business rates estimate) and £0.160m was an additional unbudgeted surplus carried forward to 2017-18. An in-year surplus of £12.674m is forecast in 2017-18, resulting in a total forecast NNDR surplus of £12.834m in 2017-18 (£3.850m 30% Islington Council share; £4.749m 37% GLA share; £4.235m 33% Central Government share). This is set out at **Appendix D**. This surplus has arisen due to growth in the net business rates base compared to the estimate before the start of the financial year, including a reduction in the total rateable value of outstanding appeals in the past year. Central Government and the GLA will be notified of this position and the Council's share of the one-off surplus will be included in the 2018-19 budget.

- 6.2. In 2018-19, the Council will participate in the proposed London Business Rates Retention Pilot Pool, subject to formal agreement by the 33 billing authorities (the 32 London boroughs and the Corporation of the City of London) and the GLA. All pool members will share the benefits of future growth (15% set aside as a Strategic Investment Pot and the remaining net growth shared between the 33 billing authorities and the GLA in the ratio 64:36), and there is a guarantee that no member will be worse off inside the pool than they would be outside it. It is recommended that authority is delegated to the Corporate Director Resources to finalise the 2018-19 NNDR1 Form (detailed business rates estimate) for Islington, which will feed into the estimate for the pilot pool.

## **7. IMPLICATIONS**

### **Financial Implications**

- 7.1. The financial implications of this report will be incorporated in the 2018-19 Budget Report and statutory Council Tax calculations to be considered by Executive on 1<sup>st</sup> February 2018 and Council on 22<sup>nd</sup> February 2018.

### **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 31<sup>st</sup> 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 for the next financial year between 1<sup>st</sup> December and 31<sup>st</sup> January of the preceding financial year to enable those authorities to calculate their budgetary requirement for the next financial year and the precept they will issue to the Council before 31<sup>st</sup> 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 1<sup>st</sup> and 31<sup>st</sup> December of the preceding financial 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 11<sup>th</sup> 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 2018-19. Again, these calculations under Section 31A-36 of the 1992 Act need to be made before 11<sup>th</sup> 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, which will feed into the estimate for the London Business Rates Retention Pilot Pool 2018-19 comprising the 32 London boroughs, the Corporation of the City of London and the Greater London Authority.

### **Environmental Implications**

7.9. This report does not have any environmental implications.

### **Resident Impact Assessment**

7.10. 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.

7.11. A Resident Impact Assessment has not been completed because this report in itself does not have any such implications.

## **8. REASON FOR RECOMMENDATIONS**

8.1. The Council is required to set a Council Tax base for the next financial year and estimate the surplus or deficit on its Collection Fund (both Council Tax and NNDR) for the current financial year.

### **Appendices**

- Appendix A – Islington Whole Area Council Tax Base 2018-19
- Appendix B – Lloyd Square Garden Area Council Tax Base 2018-19
- Appendix C – Council Tax Forecast 2017-18
- Appendix D – NNDR Forecast 2017-18

**Background papers:** None

Final report clearance:

**Signed by:**



11<sup>th</sup> January 2018

Corporate Director Resources

Date

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**APPENDIX A: ISLINGTON WHOLE AREA COUNCIL TAX BASE 2018-19**

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Number of Dwellings as at 30th November 2017	4,618	6,153	29,607	32,441	18,025	9,087	6,889	910	107,730
Less Disabled Relief	0	(7)	(34)	(57)	(55)	(43)	(24)	(5)	(225)
Plus Disabled Relief	7	34	57	55	43	24	5	0	225
Less Exemptions	(2,880)	(290)	(828)	(1,233)	(818)	(480)	(154)	(21)	(6,704)
<b>Total Chargeable Dwellings</b>	<b>1,745</b>	<b>5,890</b>	<b>28,802</b>	<b>31,206</b>	<b>17,195</b>	<b>8,588</b>	<b>6,716</b>	<b>884</b>	<b>101,026</b>
Discounts (25%)	(840)	(3,258)	(13,578)	(10,801)	(4,594)	(1,783)	(1,019)	(78)	(35,951)
Discounts (50%)	0	(2)	(4)	(10)	(5)	(1)	(10)	(11)	(43)
Discounts (10%)	0	0	0	0	0	0	0	0	0
Less Equivalent Discount Value	(210)	(816)	(3,397)	(2,705)	(1,151)	(446)	(260)	(25)	(9,009)
<b>Sub Adjusted Dwellings</b>	<b>1,535</b>	<b>5,075</b>	<b>25,406</b>	<b>28,501</b>	<b>16,044</b>	<b>8,142</b>	<b>6,456</b>	<b>859</b>	<b>92,017</b>
Less Council Tax Support and Local Reliefs	(330)	(1,799)	(7,851)	(6,413)	(2,563)	(936)	(375)	(4)	(20,273)
<b>Total Adjusted Dwellings</b>	<b>1,205</b>	<b>3,276</b>	<b>17,554</b>	<b>22,088</b>	<b>13,481</b>	<b>7,205</b>	<b>6,081</b>	<b>855</b>	<b>71,744</b>
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
<b>Band D Equivalent</b>	<b>803</b>	<b>2,548</b>	<b>15,604</b>	<b>22,088</b>	<b>16,477</b>	<b>10,408</b>	<b>10,135</b>	<b>1,709</b>	<b>79,771</b>

Band D Equivalent Assuming 98.0% Collection Rate

78,175.8

**APPENDIX B: LLOYD SQUARE GARDEN AREA COUNCIL TAX BASE 2018-19**

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Number of Dwellings as at 30th November 2017	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
<b>Total Chargeable Dwellings</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>18</b>	<b>5</b>	<b>29</b>
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	0	0	0	0	(1)	(1)	0	(1)
<b>Total Adjusted Dwellings</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>17</b>	<b>5</b>	<b>28</b>
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
<b>Band D Equivalent</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>29</b>	<b>10</b>	<b>46</b>

Band D Equivalent Assuming 98.0% Collection Rate

44.9

	<b>2016-17 Actual</b>	<b>2017-18 Budgeted</b>	<b>2017-18 Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>			
Net Council Tax Income (excluding Council Tax Support)	(126,241)	(133,790)	(132,322)
Council Tax Support	24,721	26,230	25,580
<b>Total Income</b>	<b>(101,520)</b>	<b>(107,560)</b>	<b>(106,742)</b>
<b>Expenditure</b>			
<b>Demand and Precept</b>			
Islington Council			
- General Expenses	76,858	82,696	82,696
- Special Expenses (Lloyd Square Garden Area)	16	17	17
	76,874	82,713	82,713
Greater London Authority Precept	20,794	21,620	21,620
<b>Total Demand and Precept</b>	<b>97,668</b>	<b>104,333</b>	<b>104,333</b>
<b>Impairment Allowance and Write Offs</b>	<b>2,630</b>	<b>3,227</b>	<b>2,301</b>
<b>Total Expenditure</b>	<b>100,298</b>	<b>107,560</b>	<b>106,634</b>
<b>In-Year (Surplus)/Deficit</b>	<b>(1,222)</b>	<b>0</b>	<b>(108)</b>
<b>Distribution of Previous Year Forecast Surplus/(Deficit)</b>			
Islington Council	3,057	2,185	2,185
GLA	919	591	591
<b>Total Distribution of Previous Year Forecast Surplus/(Deficit)</b>	<b>3,976</b>	<b>2,776</b>	<b>2,776</b>
(Surplus)/Deficit for the year net of distribution of previous year forecast	2,754	2,776	2,668
(Surplus)/Deficit brought forward at beginning of the year	(5,900)	(2,776)	(3,146)
<b>(Surplus)/Deficit Carried Forward to Next Year</b>	<b>(3,146)</b>	<b>0</b>	<b>(478)</b>
<b>Share of Forecast (Surplus)/Deficit</b>			
Islington Council			(379)
Greater London Authority			(99)
<b>Total</b>			<b>(478)</b>

	<b>2016-17 Actual</b>	<b>2017-18 Budgeted</b>	<b>2017-18 Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Income</u></b>			
<b>Net Non Domestic Rates Income (excluding Transitional Protection Payments)</b>	<b>(216,059)</b>	<b>(245,444)</b>	<b>(256,120)</b>
Transitional Protection Payments	2,366	(38,125)	(37,651)
<b>Total Income</b>	<b>(213,693)</b>	<b>(283,569)</b>	<b>(293,771)</b>
<b><u>Expenditure</u></b>			
<b>Precepts and Demand</b>			
Islington Council	57,760	78,269	78,269
Greater London Authority	38,507	96,532	96,532
Central Government	96,267	86,096	86,096
<b>Total Precepts and Demand</b>	<b>192,534</b>	<b>260,897</b>	<b>260,897</b>
<b>Other Expenditure</b>			
Disregards Renewable Energy	62	74	74
Cost of Collection Allowance	644	704	704
<b>Total Other Expenditure</b>	<b>706</b>	<b>778</b>	<b>778</b>
<b>Impairment Allowance &amp; Write Offs</b>	<b>2,691</b>	<b>5,643</b>	<b>4,626</b>
<b>Appeal Provisions</b>	<b>11,396</b>	<b>16,251</b>	<b>14,796</b>
<b>Total Expenditure</b>	<b>207,327</b>	<b>283,569</b>	<b>281,097</b>
<b>In-Year (Surplus)/Deficit</b>	<b>(6,366)</b>	<b>0</b>	<b>(12,674)</b>
<b>Distribution of Previous Year Forecast Surplus/(Deficit)</b>			
Islington Council	0	1,859	1,859
GLA	0	1,240	1,240
Central Government	0	3,100	3,100
<b>Total Distribution of Previous Year Forecast Surplus/(Deficit)</b>	<b>0</b>	<b>6,199</b>	<b>6,199</b>
(Surplus)/Deficit for the year net of distribution of previous year forecast	(6,366)	6,199	(6,475)
(Surplus)/Deficit brought forward at beginning of the year	7	(6,199)	(6,359)
<b>(Surplus)/Deficit Carried Forward to Next Year</b>	<b>(6,359)</b>	<b>0</b>	<b>(12,834)</b>
<b>Share of Forecast (Surplus)/Deficit</b>			
Islington Council			(3,850)
Greater London Authority			(4,749)
Central Government			(4,235)
<b>Total</b>			<b>(12,834)</b>

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

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	23 January 2018		

Delete as appropriate	Exempt	Non-exempt

## **SUBJECT: Annual Treasury Management and Investment Strategy 2018-19**

### **1. Synopsis**

- 1.1 This report discusses the council's 2018-19 annual treasury management strategy and investment strategy.

### **2. Recommendations**

- 2.1 To consider the council's 2018-19 annual treasury management strategy and investment strategy before full council's approval at its budget and council tax setting meeting on 22 February 2018. 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**

- £119.1 m is estimated to be required to be borrowed over the next 3 years
  - £35.7million to replace existing borrowing that matures
  - £83.4 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 26<sup>th</sup> 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. CIPFA consulted on changes to the code in 2017 but is yet to publish a revised code.
- 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 2018-19 budget to be considered in February, are set out in **Table 1** below:

**Table 1 – Capital Financing, Balances and Reserves Forecasts**

	31/03/2018 Estimate £m	31/03/2019 Estimate £m	31/03/2020 Estimate £m	31/03/2021 Estimate £m
General Fund CFR	131.9	179.9	210.2	198.6`
Long term Liabilities- PFI	134.9	126.9	119.2	112.1
HRA CFR	442.3	442.3	442.3	442.3
<b>Total CFR</b>	<b>709.1</b>	<b>749.1</b>	<b>771.7</b>	<b>753.0</b>
Less Balances and Reserves	(168.8)	(119.6)	(115.4)	(116.8)
<b>Net Balance Sheet Position</b>	<b>540.3</b>	<b>629.5</b>	<b>656.3</b>	<b>636.2</b>

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 advice 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 major external influence on the authority’s treasury management strategy for 2018/19 will be the UK’s progress in negotiating its exit from the European Union and agreeing future trading arrangements. Economic growth is forecast to remain sluggish throughout 2018/19. The central case forecast is for UK Bank Rate to remain at 0.5% during the coming year. Gilt yields and PWLB rates are expected to trend broadly flat from current levels, albeit with short-term volatility.

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.

	2017-18	2018-19	2019-20	2020-21
	estimate £M	estimate £M	estimate £M	estimate £M
New Borrowing	14.8	49.7	32.5	1.2
Replacement borrowing	14.4	12.1	11.1	12.5
<b>TOTAL</b>	<b>29.2</b>	<b>61.8</b>	<b>43.6</b>	<b>13.7</b>

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 2018-19 budget).

- 3.4.4 The chief objective of the council when borrowing money is to 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, The Bank Rate is expected to remain at 0.50% during 2018-19. As at 2<sup>nd</sup> January 2018, the council had agreed non PWLB long term loans of £38.5m. All these loans are from other local authorities over outstanding periods of up to 3.5 years at an average rate of 1.5%.
- 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 £119.1million. £35.7million 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 2018-19 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 investments as at 2<sup>nd</sup> January totalled £133million and the forecast position for the end of March through 2018/19 will average £100million. 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 £100m:

- 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 January 2018 is attached as **Appendix D** for information. In addition, the Council has borrowed £64.1m at an average rate of 0.41% short term, from other Local Authorities & Public Bodies – this has proved to be a cheaper alternative to variable rate PWLB borrowing and cover periods from 10 days to 10months.

3.6.13 The bank rate was raised from the historic 0.25% to 0.50% in 2017. The Monetary Policy Committee re-emphasised that any further increases would be at a gradual pace. Our treasury advisors, Arlingclose's central case is for UK bank rate to remain at 0.50% throughout 2018/19.

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. A training session on treasury management was provided to Members by Arlingclose in May 2016 and with the implementation of MIFID2 members needs will be assessed regularly to ensure knowledge and skills are maintained at appropriate levels

### **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 activities of 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**





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## Appendix A- Arlingclose Economic and Interest Rate Forecast as at January 2018

### Underlying assumptions:

- The MPC increased bank rate in November 2017 to 0.5%. The rise was questionable based on the available economic data. Market rate expectations are broadly unchanged since the rise and policymakers continue to emphasise that any prospective increases in bank rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- More recent labour data suggested that employment has plateaued, although house prices (outside London) appear to be relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

### Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
<b>3-month LIBID rate</b>														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
<b>1-yr LIBID rate</b>														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
<b>5-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>10-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>20-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
<b>50-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

**EXTERNAL DEBT INDICATORS**

<b>Authorised Limit for External Debt (including PFI)</b>							
1			2017-18 £000s Approved	2017-18 £000s Revised	2018-19 £000s Estimate	2019-20 £000s Estimate	2020-21 £000s Estimate
	<b>Borrowing</b>		472,000	411,000	461,000	494,000	495,000
	<b>Other Long Term Liabilities</b>		135,000	135,000	127,000	119,000	112,000
	<b>TOTAL AUTHORISED LIMIT</b>		<b>607,000</b>	<b>546,000</b>	<b>588,000</b>	<b>613,000</b>	<b>607,000</b>

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.

<b>Operational Boundary for External Debt (including PFI)</b>							
2			2017-18 £000s Approved	2017-18 £000s Revised	2018-19 £000s Estimate	2019-20 £000s Estimate	2020-21 £000s Estimate
	<b>Borrowing</b>		442,000	379,000	431,000	467,000	465,000
	<b>Other Long Term Liabilities</b>		125,000	125,000	117,000	109,000	102,000
	<b>TOTAL OPERATIONAL BOUNDARY</b>		<b>567,000</b>	<b>567,000</b>	<b>548,000</b>	<b>576,000</b>	<b>567,000</b>

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.

<b>Actual External Debt (including PFI)</b>							
3							31.3.17 £000s Actual
	<b>Borrowing</b>						268,000
	<b>Other Long Term Liabilities</b>						135,000
	<b>TOTAL EXTERNAL DEBT</b>						<b>403,000</b>

This is the actual external debt that the Council held at 31st March 2017. Other long-term liabilities include items such as PFI schemes and finance leases.

**TREASURY MANAGEMENT INDICATORS**

<b>Adoption of CIPFA's Treasury Management Code of Practice</b>							
4	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.						

<b>Upper Limit for Fixed Interest Rate Exposure</b>							
5		31.3.17 £000s Existing (Benchmark) Level	2017-18 £000s Approved	2017-18 £000s Revised	2018-19 £000s Estimate	2019-20 £000s Estimate	2020-21 £000s Estimate
	<b>Net principal relating to fixed rate borrowing/investments</b>	182,000	263,000	218,000	268,000	307,000	308,000

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

<b>Upper Limit for Variable Interest Rate Exposure</b>							
12		31.3.17 £000s Existing (Benchmark) Level	2017-18 £000s Approved	2017-18 £000s Revised	2018-19 £000s Estimate	2019-20 £000s Estimate	2020-21 £000s Estimate
	<b>Net principal relating to variable rate borrowing/investments</b>	92,000	135,000	109,000	134,000	153,000	154,000

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.

<b>Maturity Structure of New Fixed Rate Borrowing</b>							
13					31.3.17	2018-19	2018-19

					Existing (Benchmark) Level %	Upper Limit %	Lower Limit %
					5.0%	100%	0%
					8.0%	100%	0%
					12.0%	100%	0%
					16.0%	100%	0%
					24.0%	100%	0%
					35.0%	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							
			2017-18 £000s Approved	2017-18 £000s Revised	2018-19 £000s Estimate	2019-20 £000s Estimate	2020-21 £000s Estimate
14	Total principal sum invested		60,000	50,000	55,000	55,000	55,000

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

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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
<b>Debt Management Agency Deposit Facility* (DMADF)</b>  * this facility is at present available for investments up to 6 months	Yes	Government-backed.	In-house and by external fund managers	1 year *
<b>Term Deposits</b> 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
<b>Term Deposits</b> with credit-rated deposit or UK Government backed (banks and building societies), including callable deposits.	Yes	<b>Minimum Short Term Ratings</b> Fitch F1 Moodys P-1 S & P A-1  <b>Minimum Long term Ratings</b> Fitch A+ Moodys A1 S & P A+  <b>Maximum Deposit</b> £30 m per institution  Plus  <b>Council Bankers</b> 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><b>Certificates of Deposit</b> 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><b>Gilts</b> : 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><b>Money Market Funds</b></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><b>Forward deals</b> with credit rated or UK government backed banks and building societies plus other Local Authorities &lt; 1 year (i.e. negotiated deal period plus period of deposit)</p>	Yes	<p><b>Minimum Short Term Ratings</b></p> <p>Fitch F1</p> <p>Moodys P-1</p> <p>S &amp; P A-1</p> <p><b>Minimum Long term Ratings</b></p> <p>Fitch A+</p> <p>Moodys A1</p> <p>S &amp; P A+</p> <p><b>Maximum Deposit</b></p> <p>£30m per institution</p>	In-house and fund managers	1 year in aggregate
<p><b>Gilt Funds and other Bond Funds</b> (dependent on set-up structure)</p>	Yes	<p><b>Minimum Rating:</b></p> <p>Fitch: A+</p> <p>Moody's: A1</p> <p>S&amp;P: A+</p>	<p>External fund managers only subject to guidelines agreed</p> <p><b>*Important : In choosing the manager we</b></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><b>Treasury bills</b> [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><b>Bonds issued by a financial institution that is guaranteed by the United Kingdom Government</b> (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><b>Bonds issued by multilateral development banks</b> (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
<p><i>Custodial arrangement required prior to purchase</i></p> <p><b>UK Sterling Denominated Corporate Bonds issued by UK PLC`s or Public Sector Bodies ( From 01/04/2012 )</b></p>	<p>Yes</p>	<p><b>Minimum Short Term Ratings</b> Fitch F1 Moodys P-1 S &amp; P A-1</p> <p><b>Minimum Long Term Ratings</b> Fitch A+ Moodys A1 S &amp; P A+</p> <p><b>Maximum Deposit</b> £10m per institution</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 guidelines agreed</p>	<p>1 year</p>

**\*\*\*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**

<b><u>Investment</u></b>	<b><u>Share/ Loan Capital?</u></b>	<b><u>Repayable/ Redeemable within 12 Months?</u></b>	<b><u>Security / Minimum Credit Rating **</u></b>	<b><u>Capital Expenditure?</u></b>	<b><u>Circumstance of Use</u></b>	<b><u>Maximum Held at Any One Time During the Year</u></b>	<b><u>Maximum Maturity of Investment</u></b>
						<b>£M</b>	
<b>Term deposits</b> 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
<b>Term deposits</b> with credit rated deposit takers or UK government backed (banks and building societies) with maturities greater than 1 year	No	No	<b>Minimum Short Term Ratings</b> Fitch F1 Moodys P-1 S & P A-1  <b>Minimum Long term Ratings</b> Fitch A+ Moodys A1 S & P A+  <b>Maximum Deposit</b>  £30m per institution		In-house and fund managers	100	5 years
<b>Certificates of Deposit</b> 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	<b>Minimum Short Term Ratings</b> Fitch F1 Moodys P-1 S & P A-1  <b>Minimum Long term Ratings</b> Fitch A+ Moodys A1 S & P A+  <b>Maximum Deposit</b>  £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><b>Callable deposits</b> with credit rated deposit takers or UK government backed (banks and building societies) with maturities greater than 1 year</p>	No	No	<p><b>Minimum Short Term Ratings</b> Fitch F1 Moody's P-1 S &amp; P A-1</p> <p><b>Minimum Long Term Ratings</b> Fitch A+ Moody's A1 S &amp; P A+</p> <p><b>Maximum Deposit</b>  £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><b>UK government gilts</b> 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><b>Sovereign issues ex UK Government gilts</b> : 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		
<b>Forward deposits</b> 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	<b>Minimum Short Term Ratings</b> Fitch F1 Moodys P-1 S & P A-1  <b>Minimum Long Term Ratings</b> Fitch A+ Moodys A1 S & P A+  <b>Maximum Deposit</b>  £30m per institution <b>For Maturities &gt; 2 years</b> 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
<b>Bonds issued by a financial institution that is guaranteed by the United Kingdom Government</b> (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>							
<b>Bonds issued by multilateral development banks</b>	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		
<b>UK Sterling Denominated Corporate Bonds issued by UK PLC's or Public Sector Bodies (From 01/04/2012 )</b>	No	No	<b>Minimum Short Term Ratings</b> Fitch F1 Moodys P-1 S & P A-1  <b>Minimum Long Term Ratings</b> Fitch A+ Moodys A1 S & P A+  <b>Maximum Deposit</b> £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														
Counter-Party List as at January 2018														
Minimum criteria	A+	F1	A1	P-1	A+	A-1								
	Fitch L/T	Fitch S/T	Moody's L/T	Moody's 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	funds Invested - 02/01/2018
<b>UK Banks</b>														
Barclays	A	F1	A1	P-1	A-	A-2	AA/Aa1/Aau	77	233	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/Aau	67	667	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/Aau	66	65	30,000,000	36 Months	SUSPENDED !!!	Limit to 13 Months - CHECK !!!	
RBS	BBB+	F2	A3	P-2	BBB+	A-2	AA/Aa1/Aau	110	232	30,000,000	36 Months	SUSPENDED !!!	Limit to 35 Days - CHECK !!!	
Santander UK	A	F1	Aa3	P-1	A	A-1	AA/Aa1/Aau/ BBB+/Baa2/BBB+(Spain)	83	N/A	30,000,000	36 Months	SUSPENDED !!!	Limit to 6 Months - CHECK !!!	
Standard Chartered	A+	F1	Aa3	P-1	A	A-1	AA/Aa1/Aau	113	680	30,000,000	36 Months	SUSPENDED 02/03/16 !	SUSPENDED 02/03/16 !	
<b>UK Building Societies</b>														
Nationwide	A	F1	Aa3	P-1	A	A-1	AA/Aa1/Aau	97	N/A	30,000,000	36 Months	SUSPENDED !!!	Limit to 6 Months - CHECK !!!	
<b>Non UK Banks</b>														
<b>Australia</b>														
Australia & NZ Banking Group	AA-	F1+	Aa2	P-1	AA-	A-1+	AAA/Aaa/AAAu	70	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	70	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	70	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	70	N/A	15,000,000	36 Months	Limit to 6 Months - CHECK !!!	Limit to 6 Months - CHECK !!!	
<b>Canada</b>														
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+	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 !!!	
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 !!!	
<b>Finland</b>														
<b>Germany</b>														
Deutsche Bank	A-	F1	Baa2	P-2	BBB+	A2	AAA/Aaa/AAAu	240	N/A	15,000,000	36 Months	SUSPENDED !!!	SUSPENDED 02/03/16 !	
<b>Netherlands</b>														
ING Bank	A+	F1	A1	P-1	A	A-1	AAA/Aaa/AAAu	65	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	65	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!	
<b>Sweden</b>														
Svenska Handelsbanken	AA	F1+	Aa2	P-1	AA-	A-1+	AAA/Aaa/AAAu	70	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	70	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!	
<b>Switzerland</b>														
Credit Suisse	A	F1	A1	P-1	A	A-1	AAA/Aaa/AAAu	120	N/A	15,000,000	36 Months	SUSPENDED !!!	Limit to 100 Days - CHECK !!!	
<b>USA</b>														
JP Morgan Chase	AA-	F1+	Aa3	P-1	A+	A-1	AAA/Aaa/AA+u	65	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!	
<b>Other</b>														
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)	
<b>UK Local Authorities</b>							<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>15,000,000(per authority)</b>	<b>36 Months</b>	<b>OK</b>	<b>OK</b>	<b>100,000,000</b>
Supra-National Bonds ( EIB )	AAA		Aaa		AAA		N/A	N/A	N/A	Unlimited	Unlimited	SUSPENDED !!!	OK - CHECK !!!	
UK DMADF	AA		Aa1		AA		N/A	N/A	N/A	Unlimited	6 Months	OK	OK	31,000,000
<b>TOTAL FUNDS INVESTED</b>													<b>131,000,000</b>	

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Report of: Corporate Director of Finance and Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	23 January 2018		All

**SUBJECT: External Auditor Reports**

**1. Synopsis**

1.1 KPMG is presenting its Annual Audit Letter for 2016/17 to the Audit Committee.

**2. Recommendations**

2.1 To note the Annual Audit Letter 2016/17.

**3. Background**

3.1 KPMG provides various reports to the Audit Committee throughout the year. The following report is included on the agenda for this meeting:

**A. Annual Audit Letter 2016/17**

3.2 The Annual Audit Letter 2016/17 is a summation of the external auditors work for the year, most of which has previously been reported to the Committee. There are no issues of concern or recommendations contained within this report.

**4. Implications**

**4.1 Financial Implications:**

None.

**4.2 Legal Implications:**

None.

**4.3 Environmental Implications:**

There are no direct environmental implications.

**4.4 Equalities Impact Assessment:**

An equality impact assessment is not relevant as this is a report from an external body.

**4.5 Resident Impact Assessment**

There are no direct resident impact implications arising from this item.

**5. Conclusion and reasons for recommendations:**

5.1 The Committee is asked to note the contents of the attached reports.

**Appendices:**

- KPMG Annual Audit Letter 2016/17

**Background papers:** (available online or on request)

- None

Final Report Clearance:

**Signed by:**



Corporate Director of Finance and Resources

Date 2018

**Received by:**

Head of Democratic Services

Date

Report Author: Alan Layton, Service Director: Financial and Asset Management  
Tel: 020 7527 2835  
E-mail: alan.layton@islington.gov.uk



# Annual Audit Letter 2016/17

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**London Borough of Islington Council and  
Pension Fund**

—  
October 2017



# Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Hewitson, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



## Section one

# Headlines

This Annual Audit Letter summarises the outcome from our audit work at London Borough of Islington Council and Pension Fund in relation to the 2016/17 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

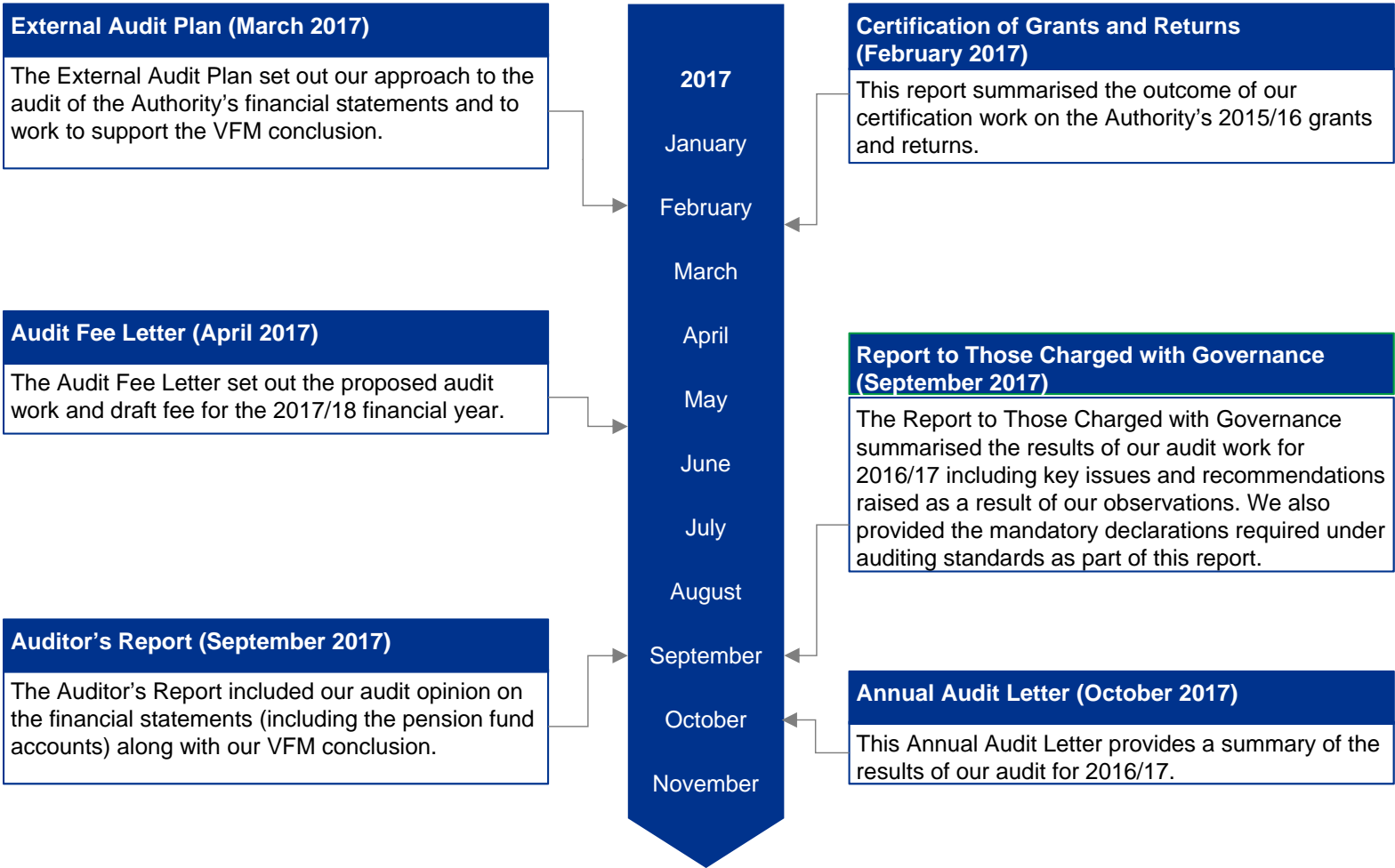
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<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 29 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on the Authority's financial statements on 29 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements include those of the pension fund, which we issued an unqualified opinion on as part of our audit report.</p>
<b>Financial statements audit</b>	<p>Our audits of the Authority's financial statements and those of the pension fund did not identify any significant adjustments to figures in the principal financial statements. As in previous years, the Authority produced quality draft financial statements and working papers.</p>
<b>Other information accompanying the financial statements</b>	<p>Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.</p>
<b>Pension fund audit</b>	<p>There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.</p>
<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.</p>
<b>Certificate</b>	<p>The audit cannot be formally concluded and an audit certificate issued as we are considering elector queries relating to 2013/14, 2014/15 and 2015/16. Until we have completed our consideration of these, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014.</p>
<b>Audit fee</b>	<p>Our fee for 2016/17 was £202,830 for the Council, excluding VAT. This is in line with the planned fee for the year and the prior year fee. Further detail is contained in Appendix 3.</p>

# Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter. These reports can be accessed via the Audit Committee pages on the Authority's website at [www.islington.gov.uk](http://www.islington.gov.uk).

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# Appendix 2: Audit fees

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This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

**External audit**

Our final fee for the 2016/17 audit of the Authority was £202,830, which is in line with the planned fee.

Our final fee for the 2016/17 audit of the Pension Fund was in line with the planned fee of £21,000.

Our fees are still subject to final determination by Public Sector Audit Appointments.

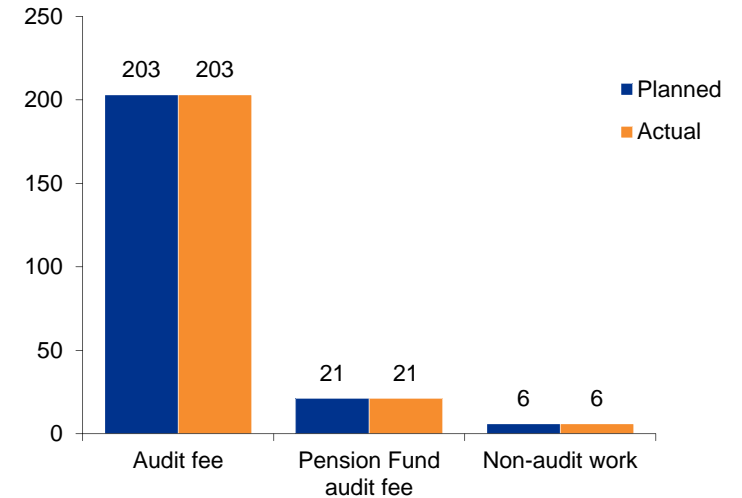
**Certification of grants and returns**

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2018.

**Other services**

We charged £6,000 for additional audit-related services for the certification of the pooled housing capital receipts and teachers pension contribution return, which are outside of Public Sector Audit Appointment's certification regime.

External audit fees 2016/17 (£'000)





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Report of: **Corporate Director Resources**

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	23 <sup>rd</sup> January 2018		

Delete as appropriate		Non-exempt	
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## **SUBJECT: Internal Audit Interim Report 2017-18**

### **1. Synopsis**

- 1.1. The provision of a continuous internal audit service provides independent and objective assurance on the control environment that supports the delivery of the Council's objectives.
- 1.2. This report is intended to support the Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by demonstrating that the Internal Audit plan is being delivered also highlights how responsive management have been in implementing recommendations.

### **2. Recommendations**

- 2.1. Committee is requested 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 objectives.

3.2. The Internal Audit Programme (Annual Audit Plan) was approved by Committee in March 2017. The findings from the execution of that work programme to October 2017 are attached as Appendix A.

The Internal Audit service continues to operate as a shared service with the London Borough of Camden. The shared service operates a co-sourced model, meaning that Internal Audit services are provided jointly by in-house staff and a co-sourced provider. In August 2014 the shared Internal Audit service, along with four other boroughs (Barnet, Enfield, Harrow and Lambeth), entered a framework agreement with a co-sourced provider. London boroughs currently accessing the framework agreement have formed a Cross Council Assurance Service (CCAS). Officers across CCAS meet bi-monthly to share intelligence, best practice and audit tools across the boroughs, with the objective of enhancing Internal Audit services.

## 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 Local Audit and Accountability Act 2014 sets out the regulatory framework for the audit of local authorities. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Accounts and Audit Regulations 2015 (SI 2015/234), regulation 5). The Public Sector Internal Audit Standards 2017 provide a set of public sector internal audit standards, which are supplemented for local government by CIPFA standard setting guidance.

## 5. Conclusion and reasons for recommendations

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

### Appendices:

Appendix A – Internal Audit Interim Report 2017/18

Final report clearance:

**Signed by:**

Mike Curtis



Corporate Director Resources

Date 21/12/17

Report Author: Nasreen Khan, Head of Internal Audit, Investigations and Risk Management

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Legal Implications Author: Peter Fehler

# London Borough of Islington

## Internal Audit 2017-18 Interim Report

January 2018

## 1. Purpose of this report

This report summarises the work that Internal Audit has undertaken from 1<sup>st</sup> April to 31<sup>st</sup> October 2017 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment across the Council.

## 2. Overview of Year to Date

From 1<sup>st</sup> April to 31<sup>st</sup> October 2017 we have issued the following (details of individual reports can be found in Service Summaries below):

- Two **No** Assurance reports
- Two **Limited** Assurance reports
- One **Moderate** Assurance report
- Two management letters

We are on track to complete the audit plan as agreed by end March 2018. 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.

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## 3. Update on progress on implementation of 2016/17 recommendations (as at 31st October 2017)

Department	Audit Title	Original Assurance Rating	Indicative Revised Assurance Rating in relation to only the specific areas covered by the follow up*	Direction of Assurance	Position as at 31 <sup>st</sup> October 2017
Cross-Cutting	Use of Agency Staff	n/a - management letter	n/a management letter	↔	In March 2016 we completed an Internal Audit review of the 'Use of Agency and Consultancy Staff'. Three high priority recommendations and two medium priority recommendations were raised and agreed with Management. Our follow-up assessment has identified that three recommendations have been implemented; however two high priority recommendations remain as partially implemented. The two partially implemented recommendations are in relation to the vetting and verification of agency workers DBS Disclosures and identity. Following the completion of the original review, both Strategic Procurement and HR have implemented the recommendations that were specific to their respective roles, including the updating of policy/guidance and the reinstatement of the Agency Vetting Checklist to aid Managers in the vetting of their agency workers. However, our review has revealed that Departments are not consistently undertaking appropriate vetting checks of agency workers, or completing the Agency Vetting Checklist to evidence these checks. As a result, and by also considering the cases identified within our review

Department	Audit Title	Original Assurance Rating	Indicative Revised Assurance Rating in relation to only the specific areas covered by the follow up*	Direction of Assurance	Position as at 31 <sup>st</sup> October 2017
					where Ordering Managers confirmed that they did not undertake any vetting of their agency worker's DBS Disclosures or identity, it is the opinion of Internal Audit that the Council remains exposed to the risks identified within the March 2016 report. Furthermore, in light of both Strategic Procurement and HR implementing the recommendations specific to their respective roles, it is also in the opinion of Internal Audit that the responsibility for implementing the outstanding recommendations should now sit with each Department.
E&R	SES Agency	Limited	Limited	↔	In the previous report five recommendations (two high, one medium and two low priority) were made and accepted by management. Our follow up audit revealed that two recommendations have been implemented (one high and one medium) and three recommendations (one high and two low priority) have been partially implemented. The one high priority recommendation that remains outstanding relates to the vetting of agency staff. It should be noted that following the completion of the original Public Realm Agency Staff review in September 2015, Internal Audit subsequently completed a cross-cutting review of the 'Use of Agency Staff' in March 2016, which raised recommendations regarding the vetting of agency staff. These recommendations supersede those raised within the original Public Realm Agency Staff review, and have been followed-up as part of a separate exercise. As part of this exercise we reviewed a sample of agency assignments, including three assignments within Public Realm. For all three Public Realm assignments it was noted that whilst vetting checks had been undertaken, the HR Agency Vetting Checklists had not been returned to HR, as in-line with Council policy.
HASS	Islington Law Centre	Limited	Limited	↔	In the previous report, nine recommendations (three high, five medium and one low priority) were made. Based on the evidence presented, our follow up audit revealed that: five recommendations (four medium and one low priority) have been fully implemented; and four recommendations (three high and one medium priority) have been partially implemented. The partially implemented actions relate to Financial Accounts, Separation of Duties, Financial Management and Articles of Association. The Centre's efforts in implementing the recommendations and the positive direction being shown by management is noted. However, given the inherent risks associated with the outstanding high priority recommendations, we have requested an update by the revised implementation dates.

Department	Audit Title	Original Assurance Rating	Indicative Revised Assurance Rating in relation to only the specific areas covered by the follow up*	Direction of Assurance	Position as at 31 <sup>st</sup> October 2017
HASS	TMO IT Arrangements	n/a management letter	n/a management letter	↔	<p>In 2016/17, Internal Audit undertook a review of IT and data security arrangements across TMO's at the request of management. Due to the scope and nature of the review, we did not provide an overall assurance rating. However, the level of risk identified was indicative of a no assurance rating due to one critical and four high risk findings relating to IT Support and Data Storage, Information Asset Register/Data Retention, policies and procedures, access controls and legal and regulatory compliance. It was agreed with the TMO Management Team that a formal follow up would be undertaken in February 2018 to assess the level of implementation of recommendations, and thus the Council's residual risk exposure, ahead of the General Data Protection Regulation (GDPR) becoming enforceable from May 2018. However, discussion with management in Summer 2017 raised several issues and despite numerous and continued efforts by the TMO Management Team, actions to improve the control environment have been impeded by a general lack of wider support to assist the team in improving data security controls across TMO's, and as a result, it is unlikely that full implementation by February 2018 will be achieved. A management letter has been issued to senior management to provide awareness that without finding the requisite support to improve these controls, this ultimately leaves the Council exposed to potentially significant reputational risk and financial risks through GDPR fines. As per the original agreement, Internal Audit will complete a full follow up in February 2018, ahead of the GDPR becoming enforceable from May 2018.</p>
E&R/Resources	Trading Company/Ico	n/a management letter	n/a management letter	↔	<p>The management letter was issued in February 2016 and raised seven findings. Due to the nascent nature of the ICo at that time, we didn't seek to prioritise our findings, however we noted that if/when the levels of activity increased significantly, all of the issues would be considered medium or high priority in line with our normal assessment protocols. Based on the evidence presented, our recent follow up audit revealed that: one recommendation has been implemented; two recommendations have been partially implemented; and four recommendations have not been implemented. It is noted that further work is required to implement the majority of the recommendations raised. This is in part due to the fact that the company remains in a fledgling state and does not yet have key governance arrangements in place, such as a firm strategic direction to govern its aims. Without this in place, the company may struggle to ensure that the other recommendations made can be met, such as the implementation of risk management processes, criteria for the selection of activities and clearly defined processes and ways of working. In addition it should be noted</p>

Department	Audit Title	Original Assurance Rating	Indicative Revised Assurance Rating in relation to only the specific areas covered by the follow up*	Direction of Assurance	Position as at 31 <sup>st</sup> October 2017
					that in several areas, Internal Audit were unable to independently verify some of the progress that has been made by management, as documentation was not made available for our review. We will revisit these recommendations in Q4 2017/18 to assess the rate of implementation at that time.
Page 51 E&R/HASS	Sunnyside	No	Moderate	↑	<p>In July 2017, E&amp;R requested Internal Audit to carry out a further review of Sunnyside following some significant organisational changes at the Gardens. In the original report (issued December 2015), ten recommendations (three critical, four high and three medium priority) were raised. Following the interim follow-up work undertaken in May and July 2016, and March 2017 it was found there had been minimal progress towards full implementation and there remained one critical recommendation which had not been implemented and three recommendations (one critical and three high) which had been partially implemented. However, based on the evidence presented during the July 2017 follow-up review, we can confirm that there has been effective progress towards full implementation. Of the outstanding recommendations noted in March 2017: seven recommendations (one critical, three high and three medium priority) have been implemented; three recommendations (two critical and one high priority) have been partially implemented and one new medium recommendation was also raised. The partially implemented actions relate to Financial Management, Governance Arrangements, Expenditure and the new action relates to IR35.</p> <p>This audit originally attracted a 'no assurance' rating, which was increased to limited assurance in July 2016 and was maintained at limited assurance in March 2017 due to the lack of progress. However, as a result of the rate of implementation of recommendations as at July and the positive direction being shown by management, we suggest the level is now indicative of 'moderate' assurance, which suggests that the control environment, in relation to only the specific areas covered by this audit, has improved on follow up. However, given the inherent risks associated with the outstanding recommendations, we have requested an update to the above for us to sustain this opinion.</p>
Children's	Laycock School	No	Moderate	↑	In the previous report 15 recommendations (six high, six medium and three low priority) were made. Our follow up audit has revealed that: 13 recommendations have been fully implemented; and two recommendations (both high priority) have been partially implemented. One partially implemented recommendation relates to IR35, the second partially implemented recommendation relates to cheque reimbursements. The high level rate of implementation of recommendations, and

Department	Audit Title	Original Assurance Rating	Indicative Revised Assurance Rating in relation to only the specific areas covered by the follow up*	Direction of Assurance	Position as at 31 <sup>st</sup> October 2017
					positive and robust action taken by management in response to the original report suggests that the control environment (in relation to only the specific areas covered by this audit), has improved on follow up.
Children's	Hanover	Limited	Moderate	↑	In the previous report 13 recommendations (two high, ten medium and one low priority) were made. Our follow up audit revealed that all thirteen recommendations have been fully implemented. This audit originally attracted a 'limited' assurance rating in February 2017. While a full audit would need to be undertaken to conclusively revise the assurance rating, the high rate of implementation of recommendations and positive action taken by management in response to the original report, suggests that the control environment (in relation to the specific areas covered by the follow up), has improved and is indicative of 'moderate' assurance.
Children's	The Virtual School	n/a - management letter	n/a - management letter	↑	In the previous report nine recommendations (three critical, three high and three medium priority) were made, eight of which were accepted by management. One medium priority recommendation, relating to parking permits, was not accepted as management considered that existing arrangements were working adequately. Our follow up audit revealed that six recommendations (including three critical, two high and one medium priority) have been implemented and two recommendations (one high and medium priority recommendation) have been partially implemented. The partially implemented high priority recommendation relates to VAT and the remaining partially implemented medium recommendation relates to procurement. The high level rate of implementation of recommendations, and positive and robust action taken by management in response to the original report suggests that the control environment (in relation to only the specific areas covered by this follow up), has improved on follow up and the notable work undertaken in this area to improve the controls in this area is recognised.
Children's	Hornsey Road Children's Centre	Moderate	Moderate	n/a	In the previous report five medium priority recommendations were made. Based on the evidence presented, our follow up audit revealed that four recommendations have been fully implemented and one recommendation relating to purchase orders has been partially implemented.
Children's	Film Service	Moderate	Moderate	n/a	In the previous report, six recommendations (two medium and four low priority) were made. Our follow up audit revealed that five recommendations have been implemented. The original action for one recommendation was not agreed and



Department	Audit Title	Original Assurance Rating	Indicative Revised Assurance Rating in relation to only the specific areas covered by the follow up*	Direction of Assurance	Position as at 31 <sup>st</sup> October 2017
					separate action has been taken.
Resources	Digital Strategy	Limited	n/a -superseded	n/a - superseded	An internal audit review of the Islington's Digital Strategy was undertaken in June 2016. In the previous report eight recommendations (four high and four medium priority) were made. The high rated findings related to: ownership of the strategy, planning the delivery of the digital strategy, financial planning for the digital strategy and prioritisation of projects and review against architectural principles. Subsequently, Camden, Haringey and Islington became part of the Shared Digital service in October 2016 and as a result, the recommendations in the report have been largely superseded. Since the inception of Shared Digital, work has been underway in a range of areas, to understand in detail how the three authorities plan and deliver their ICT services. In June 2017, a report was present to the Shared ICT and Digital Services Joint Board to discuss the opportunities to maximise the possibilities for collaboration and better delivery. It was agreed by Joint Board that, as the aim was for greater collaboration, there ought to be a shared strategy. The Chief Digital and Information Officer provided a draft strategy for Shared Digital for Joint Board at its meeting in October 2017 based around the principles in the business case, including a delivery plan and a final draft will be agreed by the Committee in February 2018. In the meantime, Islington remains in a transitional state and Islington's Future IT Priorities are currently being discussed and agreed with Senior Officers. These are still aligned to the original themes of the original Digital Strategy (which is dated to 2017). While it is not pertinent for Internal Audit to carry out any specific follow up work on the previous report, management should bear in mind the original risks outlined which may be useful for the Council and/or Shared Digital to consider ahead of the development of a Shared Digital Strategy.
E&R/Resources	Box	n/a – management letter	n/a -superseded	n/a - superseded	An internal audit review of the Security of the Box application was undertaken in September 2016. In the previous report 11 recommendations (8 high and 3 medium priority) were made. It was concluded that a combination of governance and deployment weaknesses meant that Box presented data risks. Subsequently, with the appointment of an Interim Chief Information Officer in 2016, it was agreed with E&R that Office365 would be the platform for collaboration, and a project was initiated to deliver this, rather than seeking to complete the remediation actions on Box. It is understood that the existing Box contract was due to finish on 27 July 2017 but was extended to July 2018, and work is underway to migrate all the content from Box to

Department	Audit Title	Original Assurance Rating	Indicative Revised Assurance Rating in relation to only the specific areas covered by the follow up*	Direction of Assurance	Position as at 31 <sup>st</sup> October 2017
					SharePoint Online as part of the Shared Digital Office365 project. Due to Box being superseded by Office 365 it is not pertinent for Internal Audit to carry out any specific follow up work on the previous report. However, management should be aware of the inherent data risks that the Council may be exposed to in the period up to the cessation of Box/implementation of Office 365. Any concerns or knowledge of any breaches should be reported immediately to the appropriate channels.

*\*While a full audit would need to be undertaken to conclusively revise the assurance rating, the high rate of implementation of recommendations and positive action taken by management in response to the original report, suggests that, where indicated, the control environment (in relation to the specific areas covered by the follow up), has improved and is indicative of improved assurance.*

## 4. Service Summaries: 1st April – 31st October 2017

### 4.1. Cross-Cutting/Corporate Reviews

#### a) Work in Progress as at 31<sup>st</sup> October 2017

Audit ref	Audit title	Status
CC16_2	Cyber Security	Final Report due December 2017
CC17_3	IR35	Final Report due December 2017. Limited Assurance with three high priority findings.
CC17_5	Contract Management	Fieldwork in Progress. Draft Report due December 2017
CC17_4	Income Generation	Fieldwork in Progress. Draft Report due December 2017

**b) Work scheduled 1<sup>st</sup> November to 31<sup>st</sup> March**

Audit ref	Audit title
CC17_2	Health & Safety (focus on Legionella and School Fire Risk Assessments – see note below)
CC17_7	General Data Protection Regulation – readiness assessment pre May 2018
CC17_6	Outcome-based budgeting – rolling programme review

Performance and Management Information and Resident Impact Assessments deferred to 2018/19 to allow for review of Outcomes Based Budgeting to be completed. OBB chosen for Programme Management/Transformation review.

**c) Council's Response to Fire Safety**

Following the tragic events at Grenfell, Islington's cross-council response to Fire Safety has been noted. The Tall Building Safety Group has been meeting regularly since the disaster and is taking a methodical approach to addressing fire safety issues and concerns across the borough. Internal Audit and Risk Management have been attending the Tall Building Safety Group meetings to monitor any emerging risk/control issues.

Given the close scrutiny on fire safety and awaited outcomes from wider safety reports following Grenfell, it was agreed with CMB that Internal Audit will continue to closely monitor emerging risks from the Tall Building Safety Group during 2017-18 and include a more in depth review of cross-council arrangements in 2018-19. A review of school's fire risk assessments will, however, be undertaken this year.

In terms of an internal audit deep dive for 2017-18, from Internal Audit discussion with the Corporate Health and Safety Manager, it was agreed with CMB that our area of focus in 2017-18 will be Legionella. This is one of the higher risks in the council, as per the Health and Safety risk register and may be pertinent for Internal Audit to provide assurance as to whether the Council's management of risks relating to Legionella is effective.

## 4.2. Environment and Regeneration

### a) Reports finalised

Audit Title	Assurance Rating	Key issues arising
Cottage Road Depot	Limited	The high priority findings related to: MOTs; Inspections and servicing and stock management and maintenance. As part of the audit, we also reviewed whether recommendations made in previous reports relating to Fleet Management (limited assurance) and Vehicle Maintenance (no assurance) had been implemented. In the previous reports, a total of 18 recommendations (11 high and seven medium priority) were made and accepted by management. Our follow up audit revealed that: seven recommendations (four high and three medium priority) have been fully implemented, ten recommendations (seven high and three medium priority) have been partially implemented; and one medium recommendation has not been implemented.
Commercial Waste	Moderate	Internal Audit identified one high priority and four medium priority findings. The high priority finding relates to: Business Planning and Marketing – it was noted that there is no strategy and/or service plan in place outlining the future development and sustainability of the Commercial Waste Service

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### b) Work in Progress as at 31<sup>st</sup> October 2017

Audit ref	Audit title	Status
ER16_2	SES Savings	Draft Report due December 2017.
ER17_3	Pest Control	Draft Report due December 2017.
CS17_2	SEN Transport	Combined review with Children's Services. Fieldwork starting November 2017.

Review of Blue Badges to be deferred to 2018-19

### c) Follow Ups scheduled 1<sup>st</sup> November to 31<sup>st</sup> March

2016/17 Audit title	Original Assurance Rating
Street Trading	Moderate

2016/17 Audit title	Original Assurance Rating
Leisure Centre Contract Arrangements	Substantial

Plus the final follow up for ICo will be completed in Q4 as outlined above.

### 4.3. Housing and Adult Social Services

#### a) Reports finalised

Audit Title	Assurance Rating	Key issues arising
Page 57 Adult Social Care – Contingency Planning for Provider Failure (review previously named: Care Homes)	No	<p>The original scope of this review was due to cover the following three areas in regards to Care Homes: Placements, Information and Advice; Out of Borough Spot Placements; and Contingency Planning for Provider Failure. During the early stages of the review we prioritised the area of ‘Contingency Planning for Provider Failure’, due to the level and nature of the inherent risks to the Council in this area. Placements, Information and Advice and Out of Borough Spot Placements, will instead be covered as an extended follow-up of this review.</p> <p>We have raised a total of four high priority recommendations relating to the following areas: detailed and specific business continuity plans; plans for minimising the risk of provider failure; the monitoring of the financial status of care home providers; the monitoring and management of care home provider risks. One medium priority recommendation has also been raised in relation to the testing of business continuity plans. The scope of this review, and therefore the recommendations raised within this report, was originally limited to Care Homes only; however, following discussions with Management it was agreed that the findings and recommendations could be equally applied to all Adult Social Care commissioned services.</p>

#### b) Work in Progress as at 31<sup>st</sup> October 2017

Audit ref	Audit title	Status
HASS16_3_1	Bemerton TMO	Audit work completed in June 2017 but the review has subsequently been with Legal due to current litigation between the Council and TMO. Awaiting further advice from Legal.
HASS17_3_2	Hornsey Lane TMO	Final Report due November 2017.
HASS17_3_3	Charteris TMO	Final Report due November 2017.

c) Work scheduled 1<sup>st</sup> November to 31<sup>st</sup> March

Audit ref	Audit title
HASS17_2	Annual Service Charges
HASS17_1	Housing Revenue Account
HASS17_3_4	Half Moon TMO
HASS17_3_5	Stafford Cripps TMO
HASS 17_8	Housing Association Nominations (addition to plan at request of Housing Needs Manager)

Review of Commissioning is to be combined with Children's Placement Commissioning and a joint review will be undertaken Q1 2018-19 at management's request. Safeguarding Adults: review of VCS approach to safeguarding to be deferred to April 2018 at management's request following implementation of new VCS safeguarding policy. Review of Housing and Planning Act 2016 Implementation to be deferred to 2018-19.

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d) Follow Ups scheduled 1<sup>st</sup> November to 31<sup>st</sup> March

2016/17 Audit title	Original Assurance Rating
Arch Elm TMO	No
Dixon Clarke TMO	No
Safeguarding Adults	Moderate

## 4.4. Children's Services

a) Reports finalised

Audit Title	Assurance Rating	Key issues arising
Islington Arts and Media School	No	Seven high priority findings have been identified within the following areas: reimbursements to staff; compliance with IR35 requirements; validity of payroll costs and expenses; budget setting and budget monitoring; Financial Regulations policy, management of lettings and collection of income, purchase orders, payments to suppliers and filing of quotations. No indication of impropriety, fraud or intentional wrongdoing was identified; however, a number of the high and medium priority findings relate to control

Audit Title	Assurance Rating	Key issues arising
		design/operational weaknesses that may have exposed the school to inherent fraud risks.
St Jude's and St Paul's School	Limited	Two high priority findings have been identified within the following areas: Income and Banking and Purchasing & Expenditure.

**b) Work in Progress as at 31<sup>st</sup> October 2017**

Audit ref	Audit title	Status
CS17_5_2	Hargrave School	Final report due December 2017.
CS17_6	Stronger Families	Internal Audit is satisfied that the proposed claim for October 2017 is accurate based on the sample testing performed and the provisional number of claims identified. Further grant submissions to be audited in January and March 2018.
CS17_2	SEN Transport	Combined review with E&R. Fieldwork starting November 2017.

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**c) Work scheduled 1<sup>st</sup> November to 31<sup>st</sup> March**

Audit ref	Audit title
CS17_5_4	Drayton Park School
CS17_5	Arts/Culture/Libraries
CS17_8	Children's Services Record Management (addition to plan – management request)
CS17_9	Placement Tracker (addition to plan – management request)

Review of Placement Commissioning (16-17 year olds) will be a joint review between Children's and HASS – deferred to Q1 2018-19 at management's request. Review of

Disabled Children's team and Safeguarding Children cancelled at Corporate Director's request; resource utilised on additional areas in the plan.

**d) Follow Ups scheduled 1<sup>st</sup> November to 31<sup>st</sup> March**

2016/17 Audit title	Original Assurance Rating
Laycock	No
Foster Care Payments	No
St John's Highbury Vale	No
Central Foundation	Limited
St Mark's	Limited
ST ALOYSIUS	Moderate
Education Health Care Plans (previously SEN)	Moderate
Local Education Partnership (LEP)	Follow up started 2015/16 but deferred to 2017/18

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## 4.5. Resources

**a) Reports finalised**

Audit Title	Assurance Rating	Key issues arising
Role of SIRO	n/a - management letter	Internal Audit undertook a review across the Camden, Haringey and Islington to assess the role of their Senior Information Risk Officers within each authority with respect to the implementation of General Data Protection Regulation and the amalgamation of the Council's IT services into a single, Shared Digital service. Findings related to: position and role of SIRO, information risk policies and procedures within Shared Digital and the role of the SIRO and the DPO.



**b) Work in Progress as at 31<sup>st</sup> October 2017**

Audit ref	Audit title	Status
FR16_2	O365	Final report due December 2017.
CE16_3	Gifts and Hospitality/Declarations of Interest	Draft Report due November 2017.
R17_2	Purchase cards	Draft Report due December 2017.

**c) Work scheduled 1<sup>st</sup> November to 31<sup>st</sup> March**

Audit ref	Audit title
R17_1	Payroll
R17_3	Continuous Auditing/Key Financial Systems
R17_9	Shared Digital - Financial Due Diligence
R17_4	Shared Digital - Applications Audit
R17_7	Shared Digital - Extended Follow Up PCI
R17_8	Shared Digital - Extended Follow Up PSN

Review of Recruitment to be deferred to 2018-19

**d) Follow Ups scheduled 1<sup>st</sup> November to 31<sup>st</sup> March**

2016/17 Audit title	Original Assurance Rating
Abacus/Controcc - Phase 2	Substantial
Ticket Viewer	n/a management letter

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**Report of: Corporate Director Resources**

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	23 <sup>rd</sup> January 2018		

**SUBJECT: Principal Risk Report 2017/18 Update**

### 1. Introduction

- 1.1. This report presents an update on the principal risks facing Islington in 2017/18. It has been prepared for the Audit Committee, and is an update to the Principal Risk Report considered in June 2017.
- 1.2. **Appendix A** presents :
  - An executive summary detailing principal risks and trends since the last update to Committee,
  - The Council's current risk map,
  - The principal risk report, which provides an update for each risk, detailing recent developments and key mitigating actions underway.
- 1.3. For each risk detailed in the report, there are a number of control mitigations in place. This report provides an update on key actions underway, but does not detail all of the controls (mitigations) already in place.
- 1.4. In recognition of the learnings from Grenfell, a new risk has been added to the principal risk report i.e. Serious H&S incident in housing stock.
- 1.5. A further additional principal risk has been added in relation to Welfare Reforms, in recognition of the impending implementation of the Universal Credit.
- 1.6. Since our last update to Committee, we have removed the principal risk related to the future of affordable housing, as both the high value voids levy and the fixed term tenancies no longer seem to be a priority for the government. The risk will continue to be monitored at departmental level.

### 2. Recommendations

- 2.1. Committee is asked to note and review the principal risks along with the mitigating actions underway.

### 3. Implications

#### 3.1 Financial Implications

The programme of work has been met from within the existing Internal Audit revenue budget.

#### 3.2 Legal Implications

There are no known legal implications arising from the recommendations in this report.

### 4. Conclusion and reasons for recommendations

This report indicates the Council's activity to identify, monitor and mitigate principal risks.

#### Final report clearance

**Signed by:**

Mike Curtis



Corporate Director Resources

Date 21/12/17

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Financial Implications Author: Alan Layton

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Legal Implications Author: Peter Fehler

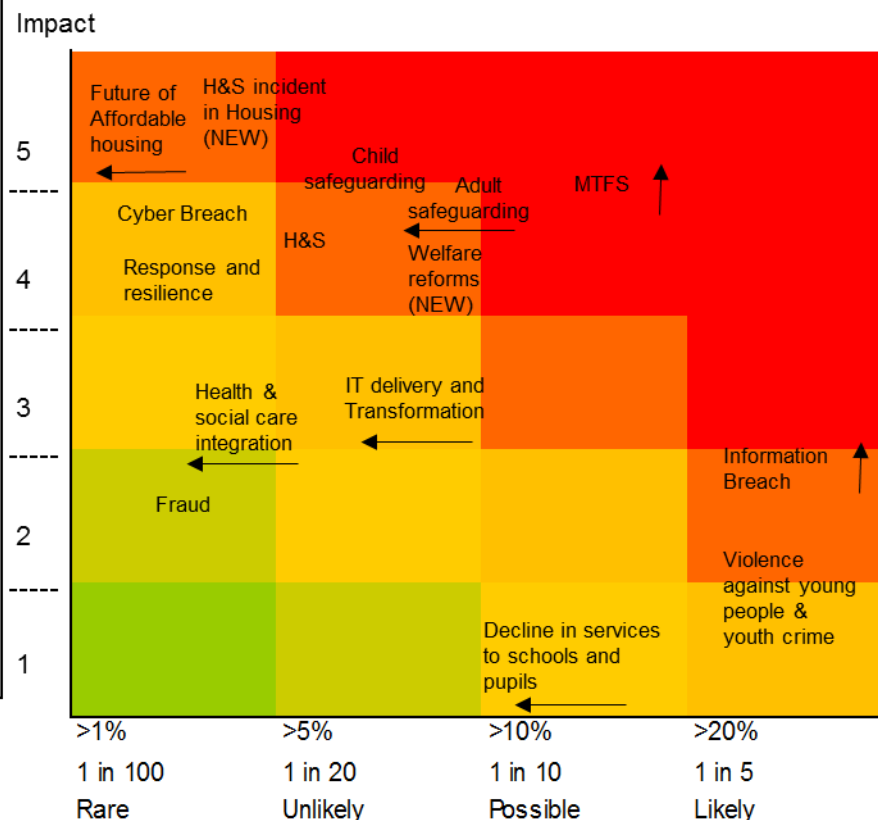
Email: peter.fehler@islington.gov.uk

## Appendix A Executive summary of the principal risks

Area	Principal risk	CMB Sponsor	Trend May 17	Trend Dec 17	Comment on change in trend
H&S	Serious H&S incident in housing (NEW)	S McLaughlin	-	NEW	
	Health and safety	M Curtis			-
	Response and resilience	K O'Leary			-
Financial	Financial strategy	M Curtis			The Council currently predicts an overspend for the year
Strategic	IT delivery and transformation	M Curtis			-
Service delivery	Safeguarding adults	S McLaughlin			Reflects improved controls
	Safeguarding children	C Littleton			-
	Decline in services to schools and pupils	C Littleton			Expected funding for School and High Needs funding announced in Sept 2017 for 2018-19 provided some relief to expectations
	Violence against young people and youth crime	C Littleton			-
	Future of affordable housing*	S McLaughlin			Removed from principal risk report - High Value Voids no longer seems a government priority
	Health and social care integration*	S McLaughlin			The Wellbeing Partnership is underpinned by strong relationships and governance.
	Welfare reforms (NEW)	S McLaughlin	-	NEW	-
Compliance and Governance	Serious information breach or non-compliance with legislation	M Curtis			Reflects the increasing impact of non-compliance
	Serious fraudulent activity	M Curtis			-
	Cyber breach	M Curtis			-

## Principal Risk Map 2017-19 (for discussion)

	Financial	Service delivery	Health and well being	Reputation
5	Financial loss above £10m.	Major disruption to a number of critical services.	Multiple death(s) or serious/ life-changing non-recoverable injury(s) / extreme safeguarding alerts likely. The council fails to fulfil its statutory obligation to protect a child/vulnerable adult from significant harm / a fatality.	Long term damage – eg adverse national or local publicity, highly damaging, severe loss of public confidence. Widespread and high level criticism. Impacts on staff and recruitment.
4	Financial loss above £8m.	Major disruption on an critical service.	Multiple casualties with recoverable injuries. Major safeguarding concerns potentially affecting multiple people. Evidence of known sustained neglect or abuse without intervention.	Medium to long term damage – eg adverse local, regional or national publicity, major loss of confidence, a matter that is frequently referenced in relation to the council.
3	Financial loss above £6m.	Major disruption on an important service. Moderate disruption to a critical service	Noticeable safeguarding risks - known evidence of neglect or abuse without intervention	Medium term damage – eg adverse publicity, local, regional and national coverage, with significant follow-up stories
2	Financial loss above £4m	Moderate disruption on an important service.	Single casualties with recoverable injuries. Noticeable safeguarding risks - evidence of neglect	Short term damage – eg adverse publicity, national follow-up stories on same issue
1	Financial loss above £1m.	Brief disruption on an important service. Repeated disruption on a core service.	Medical treatment required, semi-permanent harm up to 1 year. Safeguarding concerns of neglect	Short term damage – eg adverse publicity, regional follow-up stories on same issue



## Principal risk report

Risk  
Trend since May 17

Recent developments, progress & concerns

Actions

Risk Trend since May 17	Recent developments, progress & concerns	Actions
<p><b>Serious H&amp;S incident in housing</b></p> <p>There is a risk of a H&amp;S incident in the council's housing stock could cause multiple fatalities.</p> <p>NEW</p>	<p>The council continues to ensure compliance with all H&amp;S regulations: fire, electrical, gas, asbestos, legionella (water hygiene) and construction safety. The homes and estates safety board, with an independent chair, continues to meet quarterly and scrutinise our H&amp;S approach and processes. A member of the fire brigade sits on the board.</p> <p>In recent months, we have reviewed our fires safety measures, in the wake of the Grenfell catastrophe. We have published fire risk assessments for 10 and above stories on our website. Cladding samples were taken from 8 blocks in 3 locations and only cladding from Braithwaite house was found to contain ACM. All ACM cladding has now been removed.</p> <p>We are about to give a contract for installation of interlinked detection warning systems (heat and smoke alarms) for all of our street properties and some of our older buildings.</p>	<p>We will replace the cladding on Braithwaite this spring, while we are on site with cyclical improvement work. S.Kwong</p> <p>We are in liaison with DCLG on further remediation for Hungerford Road. We are likely not to have a definitive position on the cladding until after the Hackitt review of building regulations. A. Layton</p> <p>Publish fire risk assessments for blocks of 6 storeys and above by the end of December 2017. S Kwong</p>
<p><b>Significant H&amp;S incident</b></p> <p>There is a risk of a significant H&amp;S incident (life changing/fatality) compromising the safety and wellbeing of service users, public or the workforce</p>	<p>Schools: Auditing of schools has continued with no major issues raised. All non-conformities from previous audits have been closed out with support for schools adviser.</p> <p>A recent council prosecution (February) by the HSE for breaches under section 3 of the H&amp; S act within a school. D &amp; T audits of all secondary schools have been undertaken and adviser for schools is now working with schools to address any actions outstanding.</p> <p>Asbestos: Created a council wide asbestos database, is now at testing stage and will be implemented in April 2018. Risk assessment module also at testing stage and due to be rolled out in April 2017.</p> <p>Legionella: Internal audit will be carrying out an audit of water hygiene in Q4 17-18 to ensure actions recommended by the external auditor have been implemented.</p> <p>Drugs and alcohol testing has now been in place for over a year and we are now reviewing whether to widen the tests to safety critical roles 3 as well as 1 and 2.</p> <p>The corporate health and safety policy and annual report have been agreed by CMB and will now be sent to Joint Board for approval.</p> <p>Corporate Risk register has been reviewed and updated to reflect current risk ratings.</p> <p>Law register has been reviewed and updated to ensure CHS are covering all H &amp; S legislation in our policy and procedures.</p> <p>Auditing has been carried out within Estate Maintenance, Receptions Centres, Concierge services and adult social care with no major issues highlighted. Minor non-conformities have been closed down with support from the housing adviser.</p>	<p>Fire Safety audit completed on the 16<sup>th</sup> December 2017. Report will be issued by the 30<sup>th</sup> January 2018 to Corporate Health and Safety.</p> <p>H &amp; S continue to audit all primary schools on 2 yearly basis and secondary schools on an annual basis. All school audits are up to date. Adviser for schools is supporting all schools to close out any outstanding actions.</p> <p>Gas and Electrical safety audit to start on 6<sup>th</sup> January 2018 and the report will be issued to Corporate Health and Safety by the 28<sup>th</sup> February 2018. (delayed from Q3). D Lewis</p> <p>Occupational health and safety management system is due for review in Q4. D Lewis</p> <p>Children's Services to be audited by external auditors in January 2018. D Lewis</p>

Risk Trend since May 17	Recent developments, progress & concerns	Actions
<b>Responsiveness and resilience</b>	<p>Response to Finsbury Park terrorist incident tested critical processes and response</p> <p>Expanded the emergency management co-ordination capacity by adding an additional LALO to the on call rota (bringing the total to 3 at any one time) as a result of our post- Grenfell Review</p> <p>Demonstrated our ability to provide mutual aid by sending EPOs and LALOs to Camden and Kensington &amp; Chelsea to support their incident response teams.</p> <p>Preparing for an emergency exercise to test provision of critical services out hours to LBI tenants.</p> <p>Comprehensive review of Rest Centre Plan completed</p> <p>Emergency generator at 222 Upper St installed, but not yet connected nor tested.</p> <p>Longer term challenges include:</p> <ul style="list-style-type: none"> <li>• Responding to demand for protective security advice</li> <li>• Impact of change and staffing issues in Shared Digital Services</li> </ul> <p>Completed review of Emergency Planning and team now fully staffed</p> <p>Updated Crisis Response Plan agreed by CMB</p>	<p>Implement outstanding actions arising from the audit of business continuity including the need for critical services to have appropriate out of hours arrangements to respond to incidents – Q3 2017/18 (Corporate Directors)</p> <p>Reviewing Directorates updated business impact assessments and business continuity plans – Q3&amp;4 2017/18 (EPU)</p> <p>Review and update Business Continuity Policy and Business Continuity Plan (EPU Q3&amp;4 2017/18)</p> <p>Connect and test emergency generator (Shared Digital Services)</p> <p>Plan major Emergency Exercise – June/September 2018</p> <p>Annual Report on lessons learnt from Emergency Planning and Business Continuity exercise May 2018</p>





**Risk  
Trend since May 17**

**Recent developments, progress & concerns**

**Actions**

**Financial Strategy**

The Council fails to balance the Council's budget over the medium term – including making cash savings.

The increasing trend reflects the following

- A further £50m of savings needs to be found between 2018 and 2020, following the delivery of £170m savings since 2010.
- Over the summer of 2017, service pressures increased. Particularly in children's services where demand and cost has rapidly increased and adult social care where demand continues to increase above the additional funding provided by the government. However mitigating actions have been taken and the overspend is coming down and we have balance the budget for 2018/19

Many of these pressures impact on 2018/19 and together with new pressures forecast mean that the Council predicts a further requirement of c£16m to balance its budget for 2018/19 after already finding £16m of savings.

The General Fund balance was reduced from 5% to 4% as part of 2016/17 budget. When added to available earmarked reserves the council estimates it has only £15m to cope with budget pressures and other unavoidable demands.

Other financial liabilities, as yet unquantifiable are appearing on the horizon, such as the financial burden of the new homelessness act and the financial consequences of the historic child abuse inquiry.

The HRA faces challenges from the impact of: welfare reforms such as the benefit cap and roll out of Universal credit (October 2018) which will impact the poorest residents, and potentially lead to rent arrears. Rent arrears are currently just 1%. However, the two Universal Credit pilots (Croydon and Hounslow) both experienced an increase in rental arrears.

Brexit Negotiations: if the predictions of an economic slowdown prove correct, local income targets may be impacted in environment and regeneration, and the central government could choose to increase borrowing, raise taxes, or reduce public spending over that already planned. A concern is the devaluation of sterling, which could lead some suppliers to raise prices. As yet this has not occurred.

There is also a risk to the local economy from the significant increase in business rates in Islington. The Council bears 30% of any loss in income. While the government has provided some relief and the council has established a local relief scheme, the impact on businesses is still severe.

Council-wide action

- The corporate management board and the Executive are monitoring the 17/18 budget on a monthly basis focussing particularly on departmental management action to reduce overspends. March 2018 - Corporate Directors
- An Outcome Based Budgeting process has been introduced in 2017 to provide a robust framework to achieve the significant savings required over the medium term January 2019- Corporate Directors

Frontline spending and demand management actions include:

- New commissioning arrangements for 16 and 17 year old young people are under development, which will reduce reliance on spot purchased provision for this cohort and reduce spend. C Littleton
- Tailor the amount of care offered to people who are eligible for social services support, while maintaining adult social care Outcomes. S McLaughlin



**Risk  
Trend since May 17**

**Recent developments, progress & concerns**

**Actions**

**IT delivery and transformation**

There is a risk we do not deliver IT projects which will enable/optmise business transformation across the Council

CMB have undertaken an extensive review and prioritisation of digital and ICT work demand. As part of this, a process of ongoing CMB review has been put in place, which will ensure that the programme remains focused on what matters most for Islington.

Supporting this, a new Shared Digital Senior Leadership Team has been recruited including an Assistant Director responsible for the service in Islington. The governance model for the shared service has also been reviewed. The proposed changes are being considered at the Executive in January (and at the Camden and Haringey Cabinets in the same cycle). The governance proposals retain a joint committee model, streamlined through adoption of a single governance framework for the service.

The officer governance is also being streamlined with a Strategic Portfolio Management Board proposed to oversee the service, aligned with the new SLT and change theme boards.

As part of this wide proposal around governance change theme boards are being introduced. These will be led by senior officers from Islington, Haringey and Camden and will ensure that prioritisation is fair and transparent.

Significant progress has been made in completing prioritised 'legacy' projects, and in parallel on significant infrastructure developments including data centre consolidation, the introduction of Office 365, and re-tendering of mobile telephone contracts. These enabling projects are anticipated to deliver £1.5m of annual savings.

Baseline analysis of the portfolio of work, service specification, budget due diligence, and resource availability completed, ongoing process now being embedded. E Garcez

Consideration and a decision on the new governance proposals February 2018. Implementation subject to the detail of the decision, anticipated by Q3 2018/19 for the recommendation to the Executive (and Cabinets). E Garcez

Work is underway to assess the cost of delivering the CMB prioritised programme, and refine the early high-level business cases for the projects in the programme. The first costed baseline to deliver the first iteration of the CMB prioritised programme will be completed by the end of January 2018 and, alongside this, officers will refine the early high-level business cases for the projects in the programme. Jo Barker

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**Safeguarding adults at risk of abuse**

The council fails to fulfil its statutory obligation to identify or respond to preventable harm to adults at risk of abuse either directly or third party establishments, or through provider failure.

We have commissioned an independent review of social work in the Mental Health Trust and await the final report. Actions will follow, however there is already a recognition that assurance in safeguarding in mental health trust can be improved. The actions reflect this.

Two care homes remain in serious concerns, and another has just come out of serious concerns. We are continuing to work with them, and provide support.

Regular meetings with Care Quality Commission (including local and regional inspectors) continue to identify any wider concerns about a provider, so that any proposed actions can be appropriately co-ordinated

Information from safeguarding alerts/outcomes and contract monitoring findings will be brought together for discussion in the senior management team to enable identification of any patterns or trends in an individual provider. This has happened and is an ongoing feature.




A Best Practice Hub for Social Workers was being developed by the Principal Social Workers to support practice and continuing professional development. This work halted due to the post being vacant, however the new Principal Social Worker is due to start in January 2018.

We are working with councils across North Central London to improve the market to improve home care, residential care and nursing care (because the market is too small). K Willemette

Working with the Mental Health Trust to improve assurance. 2018/19 Q1 K Willemette

Best Practice Hub for Social Workers to be developed 2018/19 Q1 K Willemette



Risk Trend since May 17	Recent developments, progress & concerns	Actions
<b>Safeguarding children</b>  Risk of safeguarding procedures not followed which would contribute to ineffective protection of children and parents causing significant harm to a child  	<p>There was an Ofsted inspection of Islington's Safeguarding and Looked After Children's Services in May 2017. Islington was found to be 'Good' in all areas and 'Outstanding' in terms of Leadership and management. This has provided strong reassurance about the quality of services to children and the management of risk in terms of abuse and neglect.</p> <p>As part of the ongoing development of Motivational Social Work, as the model of intervention, there are robust quality assurance mechanisms in place across Children's Social Care and Early Help. These include a monthly Practice and Outcomes Board, where performance, outcome data and audit activity is scrutinised. This was put in place in June this year following a review of existing QA mechanisms, as a better way of building accountability and ownership of practice across the system. Further, since April 2017, a system of Practice Weeks was introduced, as a way of ensuring the senior leadership team is closer to practice on the ground. There are 2 Practice weeks per year, where the whole senior management team undertake audit and scrutiny of casework, working alongside practitioners and managers, focussing on the quality of practice and risk management.</p> <p>Since December 2016, there has been a robust Workforce Strategy in place, which is aimed at reducing reliance on agency social work staff. This includes the development of Step Up to Social Work and Frontline programmes, which are now in progress.</p>	<p>Actions arising out of audit and scrutiny of the Monthly Practice and Outcomes Board will be addressed as they arise. F Culbert</p> <p>Ofsted action plan to be implemented. F Culbert</p> <p>Ofsted implementation plan progress to be reported to the Safeguarding accountability board. F Culbert</p> <p>Regular safeguarding accountability meetings to continue to be held to hold progress to scrutiny of members and Chief Executive. F Culbert</p>
<b>Decline in services to schools and pupils</b>  There is a risk of an unmanaged decrease in services due to decline in school, high needs and Early Years funding  	<p>Expected funding for School and High Needs funding announced in Sept 2017 for 2018-19 provided some relief to expectations. The High needs funding budget is now expected to rise but not enough to keep up with inflation and demographic growth. The schools funding formula means no school will lose funding in cash terms per pupil, though obviously inflationary pressures continue.</p> <p>This means the pressure on the DSG High Needs budget is forecast at £1m per annum, with a further shortfall in funding for pupil and school support services of £750k in 2018/19. We have undertaken an overall review of the DSG in Islington with Schools Forum, its sub groups and have made substantial progress in addressing the shortfall in funding for high needs in 2018/19</p> <p>The service business development plan has been developed to support the growth of the business in other markets to mitigate loss of income and ensure service viability.</p>	<p>Review of the funding for pupil and school support services is underway to address the shortfall in funding for those services. Schools Forum will formally agree funding allocations in January and funding will change from April 2017. M Taylor</p>
<b>Violence against young people and youth Crime</b>  There is a risk that the council fails to respond adequately to and prevent rising crime involving young people despite additional funding and well publicised plans  	<p>The Youth Crime Plan has been refreshed. The Working together for a safer Islington 2017-20, will be published in June. It is a partnership plan to tackle youth crime in our borough. This follows in-depth consultation with YOS, Police, health, the community voluntary sector, residents, parents and so on.</p> <p>The new Islington Violence Against Women and Girls strategy was launched in February 2017 and is aligned with the Youth Crime Plan regarding prevention and early intervention.</p> <p>Islington has started to see a reduction in some areas of youth violence and at the end of July Islington posted a 8.9% reduction in knife crime incidents with victims under 25. This compared to a London wide increase of 16.8% and Islington was one of only five boroughs to see a reduction. However, a 15 year old and 2 19 year olds have been charged with murder following the fatal stabbing of a 28 year old in Essex Rd in August.</p>	<p>The Working Together for a safer Islington plan 2017-20, implementation. C Briody 2017-20.</p> <p>Monthly partnership meetings between the police and the council ensure strategic join up across agencies.</p>

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**Risk**  
**Trend since May 17**

**Recent developments, progress & concerns**

**Actions**

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**Health and social care integration**

There is a risk that new models of health and social care are financially unsustainable or do not provide adequate quality of care from the Council's point of view.



There are two partnerships: North Central London (Barnet, Enfield, Islington, Camden, Haringey) (STP), and Haringey and Islington (Wellbeing partnership). The Wellbeing Partnership agreement sets out how partners will work together over the next 12 months to improve integration of health and social care. This will be continue to be reviewed.

The NCL boroughs' CCGs have aligned governing bodies, and merged the executive function (management). There is a risk this dilutes the attention to integration and joint commissioning in Islington. The personal relationships that underpin integration are being re-established. The mitigation will come through the wellbeing partnership to ensure that the priorities and key commissioning requirements of the separate partners are given clarity and sufficient attention.

Some key partners, such as the acute sector, continue to face increasingly severe financial challenges which may become risks to the whole system, including the council. Increased patient numbers and pressures in Emergency departments indicate system capacity pressures.

The Adult Corporate Director is chairing the Wellbeing Partnership Sponsor Board until the end March 2018.

The Chief Exec and the Adult, Children and Public Health Corporate Directors are taking part at every opportunity in consultation events around STP and collaborating with colleagues in four other boroughs to represent Local Authority interests. Reports regularly to Health and Wellbeing board.

Risk Trend since May 17	Recent developments, progress & concerns	Actions
<b>Welfare reforms</b>	<p>Welfare reforms present a major challenge for the council and its residents. Changes such as the benefit cap (£23,000 pa/£15,000 pa for a single person) and roll out of Universal credit (June 2018) will impact the poorest residents, and are expected to lead to higher levels of rent arrears alongside the risk of greater financial hardship for vulnerable residents caused by issues with the transition to the new benefit. Analysis has been carried out to identify affected residents, and work with them to get back to work (as well as considering alternative payment arrangements so that housing support can continue to be paid directly to the landlord. Experience has shown that those who have moved over already to Universal Credit have significantly higher levels of rent arrears than previously and in comparison to other tenants in arrears. Recent government announcements have relieved the removal of the unpaid week at the start of the assessment period, the continuation of payment of Housing Benefit for a further two weeks have reduced the exposure of six unpaid weeks to three within the assessment period.</p>	<p>Convene a joint member and senior officer group to ensure the council is fully prepared for the introduction of UC Full Service from June 2018 (Ian Adams / Graeme Cooke).</p>
<p>There is a risk that the Council cannot efficiently collect rent following introduction of Universal Credit (UC) when housing support is paid directly to the claimant and that the roll out of UC exposes vulnerable residents to significant new financial hardship.</p>	<p>We continue to work closely with early adopter local authorities and pilot landlords/authorities to learn from their experiences and have planned further training for frontline staff next year as part of a rolling programme for staff. We have reduced caseload/patch sizes for officers and are working more closely with VCS organisations in providing budgeting and access to employment advice and food bank support/advice. We are working to introduce direct debit payment options across the month and staff have been trained as Digital Champions, which will include support to those who require it to navigate universal credit. We are also reviewing our triage model at 222 Upper Street, along with our personal budgeting and digital support (in conjunction with DWP and Citizens Advice).</p>	<p>Ensure a co-ordinated cross-council response is in place, in conjunction with key external partners (Ian Adams / Graeme Cooke).</p>
<p>NEW</p>		<p>Develop and disseminate key messages to residents and frontline staff about our approach and support in respect of UC (Ian Adams / Graeme Cooke)</p>
		<p>Benchmarking with other authorities on their experience from the Universal Credit roll out. J Murphy</p>
		<p>Monitoring of the reorganisation and 12-month review completed 04.17. J Murphy</p>
		<p>Further UC and refresher training rolling programme. J Murphy</p>
		<p>Liaison with partners organisations ongoing including engagement with pilots and 'lessons learned' events. J Murphy</p>
		<p>Service development roll out 2018/19. J Murphy</p>

Risk Trend since Dec 16	Recent developments, progress & concerns	Actions
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**Serious information breach or noncompliance with legislation**

The Council does not keep sensitive and/or personally identifiable information secure resulting in a major breach of Data Protection legislation

General Data Protection Regulation (GDPR) became law in May 2016 and becomes enforceable in May 2018. the UK Draft Data Protection Bill is currently on its way through parliament, the DP bill enshrines GDPR in UK law and implements the derogations that GDPR allows, as well as repealing the 1998 Data Protection Act

The GDPR working group meets monthly and has so far undertaken:

- Information Audit and Update of Information Asset registers
- Audit of current privacy notices and consent arrangements
- Audit of contracts and information sharing agreements

Programme plan in place and 10 work packages developed, based on ICO guidance

2 sessions of Information Asset Owner training have taken place

Regular updates to CGG, update report to CMB in September, DMT visits across the summer

Staffing: We have recruited 2 fixed term posts to support the work for the GDPR however, there is still a concern around staffing capacity as the demand on business as usual services is increasing, new technology services requiring IG input and preparing the organisation for the GDPR.

CMB agreed role of data protection officer – a mandatory role in the legislation – this will be managed within the structure of the Information Governance team.

Ensuring compliance with GDPR from a technical perspective could have far-reaching system implications. The Information Governance team are contacting IT suppliers to understand how they will be ensuring their systems are GDPR compliant – this could potentially lead to a requirement for many system upgrades and some systems, which may not be compliant.

Cyber-security continues to face challenges to meet privacy by design GDPR requirements. The tension between preventing a cyber breach and providing ready access to information continues.

Working group continuing work programme and meets monthly with directorate leads

Review of IG team structure to incorporate the role of Data Protection Officer. S Nicholson

Further round of DMT visits planned for November. S Nicholson

Internal Audit will undertake a further Readiness assessment in January, to check progress (last one done in November 2016)

Next phase of work includes:



- Review of gaps in Information Asset Register
- Mapping retention to Information Assets
- Data flow mapping
- Understanding the legal basis for processing
- Developing policy and process for Individuals rights
- Updating Security incident policy/process

Contracts will need to be updated to reflect GDPR and new contracts developed in line with GDPR. However, the Information Commissioners Office (ICO) has not yet issued guidance on this (estimated January), and the new Data Protection Bill will also have an impact on clauses, so legal services are waiting until there is more clarity before the clauses are developed. S Nicholson

A contracts due diligence checklist is being produced and sessions being run for GDPR working group on contracts monitoring and due diligences. S Nicholson

Shared Digital are developing Information Security Policies for all three boroughs in line with ISO27001, further work is required to ensure Data protection by design and default (as stipulated in the legislation) is met. E Garcez



Risk Trend since Dec 16	Recent developments, progress & concerns	Actions
<p><b>Serious fraudulent activity</b></p> <p>There is a risk that the Council is not aware of the range of fraud risks facing the authority and thereby fails to design and implement effective preventive and detective controls. This could result in financial loss, disruption to service delivery and reputational damage</p> 	<p>The Fraud Forum has agreed an implementation plan, detailing actions to be taken jointly by investigation teams across the Council. This will help prevent and detect fraud and ensure that investigations effort is joined up across the Council and use of counter fraud resource is maximised.</p> <p>London Counter Fraud Hub: Initial proof of concept (POC) workshop phases were completed in October 2017. A joint working group (to evaluate outcomes of the POC) has been set up between Islington and Camden.</p> <p>Previous Actions completed - LCFH:</p> <ul style="list-style-type: none"> <li>• Progression of the LCFH: Contracts to be signed, Data Security agreement and Privacy Impact Assessment need to be completed.</li> <li>• Supply of Housing Tenancy, Council Tax and Business Rates Data to the Hub to enable the analytics process to start.</li> </ul> <p>Other:</p> <ul style="list-style-type: none"> <li>• Targeted training programme for all departments rolled out,</li> <li>• Specialist investigation officers – qualification training to be commissioned by specialist and/or service leads dependant on funding. C Lobb. Q3 2017 – This has commenced within the Housing Investigation Team using CIPFA accredited fraud training courses.</li> </ul>	<p>Review and update the Council's Anti-Fraud Strategy and Whistleblowing policy by March 2018.</p> <p>Continue to participate in the London Counter Fraud Hub pilot Q4 17-18</p> <p>Implement actions in line with target dates articulated in the Fraud Forum's implementation plan. N.Khan</p>
<p><b>Cyber breach</b></p> <p>Process Control Networks and/or Critical Information Assets may be compromised by computer-based unauthorized access or malicious modification of code</p> 	<p>Cyber-attack will continue to be a significant threat for us.</p> <p>Mobile cyber-security has been strengthened considerably: we have recently consolidated all mobile phones to use Microsoft Intune for device management.</p> <p>New network protection has been put in place following a focused and sustained cyber-attack earlier in the year (a distributed denial of service attack, DDOS). Additionally work has completing on firewall management system upgrades, log retention and enhanced network monitoring. A review and upgrade of wireless network provision is underway which will improve coverage and upgrade ageing infrastructure.</p> <p>The loss of agency workers due to IR35 changes has had a significant impact on the capacity and capability in the team, which is limiting our ability to optimise our approach in this area. We have benefitted from the resilience of our shared service and will put additional resource in place as part of the wider shared service restructure.</p> <p>A wide-ranging review of our policies and procedures is being undertaken, alongside our partners in Camden and Haringey. These will be reviewed with the Senior Information Risk Owners (Mike Curtis in Islington), and if agreed will then be communicated and implemented.</p> <p>Concerns over 'home grown' applications and infrastructure remain, and are being addressed. A database of applications has been created to support vulnerability testing and updating; and known 'home grown' infrastructure is being reviewed and upgraded as needed. A detailed 'white hat' audit has been proposed and is being considered by audit colleagues.</p>	<p>Computer security ('white hat') audit to be included on the 18-19 audit plan. E Garcez</p> <p>New policies and procedures to be drafted, agreed and implemented in 18-19. E Garcez</p>

**PAPER ENDS**

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**Report of: Corporate Director Resources**

Meeting of:	Date	Ward(s)
Audit Committee	23 January 2018	All

Delete as appropriate	Exempt	Non-exempt

## **SUBJECT: Local Government and Social Care Ombudsman (LGO) Annual Review Performance Report**

### **1. Synopsis**

Following the publication of the LGO Annual Review Letter 2017 this report provides a summary of the council's performance in complaint handling from 1 April 2016 to 31 March 2017, highlighting decisions upheld by the LGO.

The report details the number of complaints received (106) and decided (107). Not all cases will be received and decided upon in the same year. Decided cases may have been received in a previous reporting year.

The council has not seen a significant increase in the number of complaints received by the LGO on the previous year and the number undergoing investigations has decreased.

### **2. Recommendations**

To note the Local Government & Social Care Ombudsman Annual Review letter 2017 dated 20 July 2017 attached as Appendix 1.

To note the new monitoring measures introduced by the LGO.

To note the Compliance Rate - focus is required across the directorates to ensure we are complying with the LGO timescales for remedies, within the given timeframes.

To note that of the 7 upheld cases, during our internal complaint handling process the council offered a satisfactory remedy to 1 case before LGO involvement. This shows that at a local level the council is not using effective solutions to resolve complaints which can lead to the complainants seeking further redress from the LGO.

To note the identifiable trends in complaint decisions which are attributed to;

- Not adhering to our internal complaint policy and progressing complaints correctly through the stages. This has resulted in cases being delayed in reaching Chief Executive stage and the LGO.
- Not adhering to our own timescales for statutory duties e.g. appeals and reviews.
- Complaints Remedied: Not using LGO and council guidelines on remedies and compensation to find more suitable resolutions including those of a financial nature.

To note that the Central Complaints Unit will continue to work with Service Complaint Leads and Senior Managers to reinforce effective complaint handling.

To note that, in line with the Councils statutory duty; section 5(2) of the Local Government and Housing Act 1989, the Councils Monitoring Officer will provide a twice yearly report into the Audit Committee.

To note that this report went to Joint Board on the 31 October 2017 and is submitted to Audit Committee in January 2018.

### 3. Background

- 3.1 A total of 16 out of the 107 cases received by the LGO underwent detailed investigation. Of the 16 cases investigated 7 were upheld by the LGO which is an upheld rate of 44%.

**Table 1: Services and Decisions**

#### Adult Social Care - Total 2

<b>Summary of complaint</b>	<b>Compensation amount</b>	<b>Compensation reason</b>
A poor standard of care was provided by the care agency during a period of respite. <b>Maladministration and injustice</b>	<b>£500</b> No Satisfactory remedy offered by the Council before the LGO involvement.	Poor standard of care. Time and Trouble
The council delayed in dealing with an appeal against its decision to provide a care home placement. <b>Maladministration No injustice</b>	<b>£785.08</b> No Satisfactory remedy offered by the Council before the LGO involvement.	The contribution the council would have paid towards the care home fees if the appeal had been dealt with in a timely manner.

#### Benefits and Tax Service Total - 2

<b>Summary of complaint</b>	<b>Compensation amount</b>	<b>Compensation reason</b>
The council was at fault for not making the final Housing Benefit payment to the Landlord and did not give the Landlord the opportunity to appeal the decision. <b>Maladministration and injustice</b>	<b>£1000</b> No Satisfactory remedy offered by the Council before the LGO involvement	To reflect the rent payments not paid to the Landlord.
The council accepted its handling of the appeal was faulty but the proposed remedy was not enough. <b>Maladministration and injustice</b>	<b>£1150</b> No Satisfactory remedy offered by the Council before the LGO involvement.	Fault in the councils handling of the appeal. Refund recovery costs. For bailiff action. Distress inconvenience. Time and Trouble.

## Children Services- Total 2

Summary of complaint	Compensation amount	Compensation reason
The council failed to support the complainant when she took over the responsibility for her brothers after they were abandoned by their mother. <b>Maladministration and injustice</b>	<b>£7,500</b> No Satisfactory remedy offered by the Council before the LGO involvement.	Failure to provide financial support/ advice/ hold regular meetings and delay in moving family to suitable accommodation.
The Council issued the Annual Review form to the child's mother; and at her request made amendments to the Review form without obtaining the fathers consent. <b>Maladministration and injustice</b>	<b>No financial remedy</b> The Council apologised for the error and any confusion caused and for the raised expectations following its actions.	

## Highways and Transport Total - 1

Summary of complaint	Compensation amount	Compensation reason
The Council was at fault in the way its enforcement agents removed the complainants' vehicle and placed it into its car pound. <b>Maladministration and injustice</b>	<b>£300</b> Satisfactory remedy offered by the Council before the LGO involvement.	The injustice suffered by having to collect the car from the pound.

\* Complaints remedied by the council before LGO involvement 1 out of 7.

## 2.0 COMPARISON TO PREVIOUS YEAR

	Complaints received	Complaints investigated	Complaints upheld	Upheld rate
<b>2014/2015</b>	111	16	7	43%
<b>2015/2016</b>	100	21	10	48%
<b>2016/2017</b>	106	16	7	44%

There was an overall increase in complaints and enquiries received by the LGO for 2016/17, however the number that underwent investigations has fallen by 5 (24%) and the number upheld fallen by 3 (30%).

## Borough comparisons

2016/17	Complaints Received	Complaints investigated	Complaints upheld	Upheld rate
Camden	111	29	16	55%
Hackney	136	28	17	61%
Haringey	205	59	44	75%
Islington	106	16	7	44%

## Housing Ombudsman complaints

The Housing Ombudsman does not provide an annual letter to Local Authorities with statistics and

information on complaints made.

Below is a table of upheld cases for 2016/17 which has been through the council's process of notification as detailed in 4.0.

<b>Summary of complaint</b>	<b>Compensation amount</b>	<b>Compensation reason</b>
A poor standard of service in the council's response to a report of Anti-Social Behaviour. <b>Service failure Maladministration</b>	<b>£250</b>	Poor standard of service.
The council delayed in dealing with a leak repair and the handling of the formal complaint. <b>Service failure Maladministration</b>	<b>£700.00</b>	Delay and inconvenience.

**Total upheld cases for 2016/17 for the LGO and HO - 9**

#### **4. Implications**

##### **Financial implications:**

A total of **£11,235.08** has been paid in compensation for 2016/17 which is a significant increase on the **£2150** paid in 2015/16. The relevant Department is responsible for funding the compensation plus an additional admin charge of £350.

##### **Legal Implications:**

The Local Government Ombudsman has advised that:

- a) *where findings of maladministration/fault in regard to routine mistakes and service failures, and the authority has agreed to remedy the complaint by implementing the recommendations made following an investigation, the duty is satisfactorily discharged by the Monitoring Officer making a periodic report to the council summarising the findings on all upheld complaints over a specific period.*
- b) *where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of the fault or injustice, or the number of people affected, they would expect the Monitoring Officer to consider whether the implications of that investigation should be individually reported to members.*
- c) *in the unlikely event that an authority is minded not to comply with the Ombudsman's recommendations following a finding of maladministration, they would always expect the Monitoring Officer to report this to members under section five of the Act. This is an exceptional and unusual course of action for any authority*

The procedure employed by the Central Complaints Unit and Monitoring Officer complies with the above guidance by the Local Government Ombudsman as well as ensuring senior managers are involved in the decision making process.

The process meets the Monitoring Officer's duties pursuant to section 5(2) of the Local Government and Housing Act 1989.

#### **4.3 Environmental Implications**

There are no environmental implications arising from this report

#### 4.4 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.

#### 5. Reason for recommendations

To ensure that Councillors are kept informed about complaints that have been reviewed by the Local Government Ombudsman.

**Appendix 1:** Annual summary of statistics to 31 March 2017.

**Background papers:** None.

Final report clearance:

**Signed by:** Mike Curtis



Corporate Directors/Director Public Health for  
Joint Board or Executive Member if going to the  
Executive

Date 5/1/18

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**Local Authority Report:** London Borough of Islington  
**For the Period Ending:** 31/03/2017

For further information on how to interpret our statistics, please visit our website:  
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

## Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
18	18	10	4	8	10	29	5	4	106

## Decisions made

Detailed Investigations				Uphold Rate	Total
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld
6	14	51	20	9	7
				44%	107

## Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

## Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement
6	1

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**Resources Department**  
**7 Newington Barrow Way, London N7 7EP**

**Report of: Corporate Director of Resources**

<b>Meeting of:</b>	<b>Date</b>	<b>Agenda item</b>	<b>Ward(s)</b>
<b>Audit Committee</b>	<b>23<sup>rd</sup> January, 2018</b>		

<b>Delete as appropriate</b>	<b>Exempt</b>	<b>Non-exempt</b>
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## **Subject: Islington Council's use of Agency Workers**

### **1 Synopsis**

- 1.1 This report provides Audit Committee with a progress report on the council's use of agency workers.

### **2. Recommendations**

- 2.1 To note the information provided in this report and agree that the regular scrutiny of the use of agency workers should take place at Policy and Performance Scrutiny Committee only, rather than at Policy and Performance Scrutiny Committee and Audit Committee.

### **3 Background**

- 3.1 The Policy & Performance Scrutiny Committee commissioned a review in 2013/14 of the council's use of agency workers. The Committee agreed a number of recommendations which were considered by the Executive. The Executive agreed that a bi-annual update should be provided on the council's use of agency workers and its implementation of the actions agreed by the Executive in response to the Committee's recommendations. This is the seventh such report.

### **4 Spend on agency workers**

- 4.1 **Appendix 1** shows the spend on agency workers by department for the past 3 years. Whilst there are variations between departments, it demonstrates a year on year reduction, and a significant overall reduction between the 12 months to October 2016 to the past 12 months (up to September 2017), equating to approximately £900K.

## 5 Use of agency workers

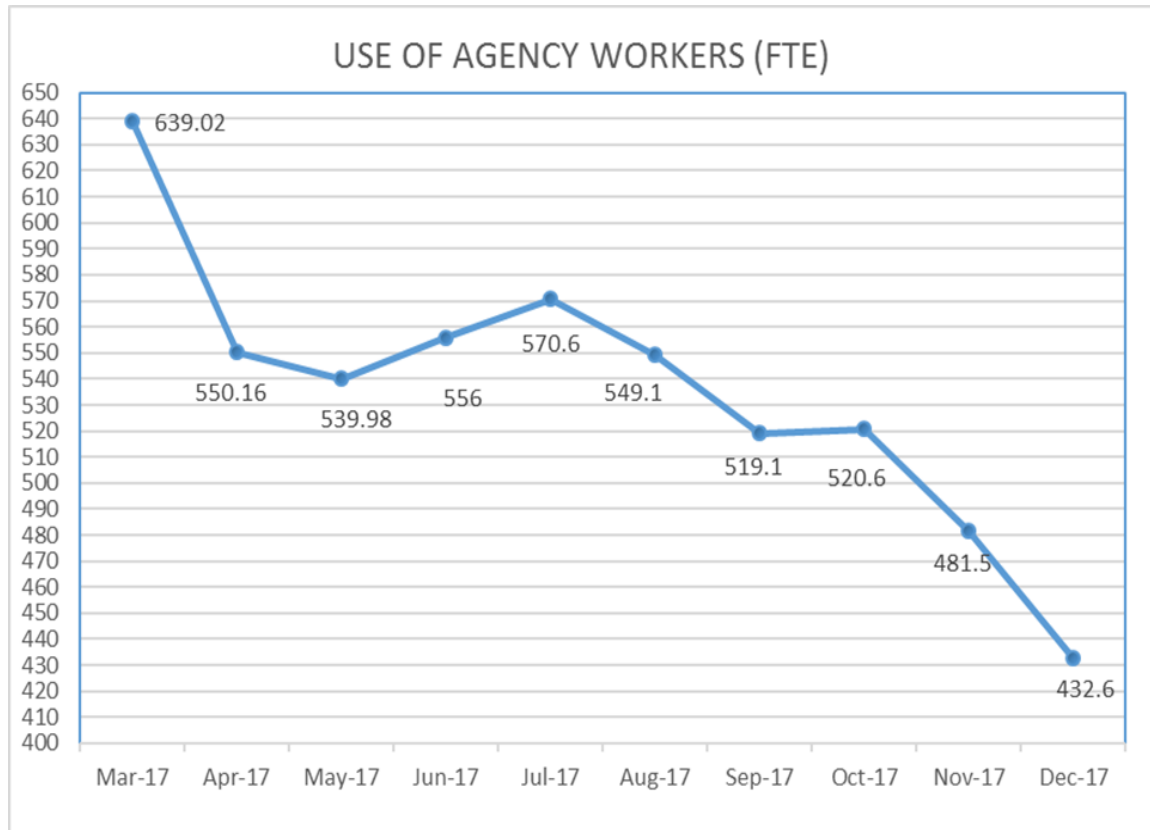
Figure 1: Use of agency workers compared to council employees

	Live agency assignments through Comensura	Use of agency workers by full time equivalent	Agency workers as a percentage of the workforce	Agency workers as a percentage of the workforce based on fte
<b>September 2017</b>	735	647.41	13.65%	13.01%
June 2017	611	559.17	12.94%	11.91%
October 2016	763	689.32	14.04%	13.75%
May 2016	720	666.37	13.6%	12.48%
September 2015	807	719.91	14.7%	13.09%
June 2015	972	900.46	17.39%	17.00%

- 5.1 On 30<sup>th</sup> September 2017, there were 735 live agency assignments via the Comensura contract compared to 611 on 30<sup>th</sup> June, 2017 and 763 on 31<sup>st</sup> October, 2016. It is important to note that an assignment does not equate to a full-time post. The full time equivalent (fte) figure for these 735 assignments is 647.41 agency workers, which demonstrates an increase since the last report, which provided the figures as of 30<sup>th</sup> June 2017.
- 5.2 Based on headcount, agency workers made up 13.65% of Islington Council's workforce as at 30<sup>th</sup> September, 2017 (based on fte, it was 13.01%) compared to 12.94% of the council's workforce as at 30<sup>th</sup> June 2017. However, this compares to an average figure of 14.47% (based on headcount) across all London councils in 2016/17. Therefore, the percentage of agency workers engaged by Islington Council based on headcount remains lower than the average for London councils by slightly less than 1%. See **Appendix 2** for the use of agency workers for all London boroughs (based on full time equivalent).
- 5.3 It should be noted that there is a significant disparity between the business model adopted by Islington Council, which delivers the overwhelming majority of its services directly, and most other London boroughs, which generally do not. At **Appendix 2**, Islington appears as the London borough in 11<sup>th</sup> place, with a significantly lower use of agency workers than other boroughs adopting the same model, such as Barnet, Lewisham and Hackney. To achieve a comparison with boroughs which do not have the same business model, the assignments in the categories 'Manual Worker' and 'Trade and Operatives' can be removed. These amount to 284 assignments on 30<sup>th</sup> September, and their deduction from the total reveals a figure of 451. This brings the number of agency worker assignments as a percentage of Islington Council's headcount down from 13.65% to 8.38%.
- 5.4 The information in paragraph 5.1 above has been reported historically and provides a picture of the use of agency workers on one specific day (i.e., 30<sup>th</sup> September in the case of this report). However, more recently the council has adopted a reporting method which reflects more accurately the deployment of agency workers. This is the number of full-time equivalent workers engaged over the course of each month. At **Appendix 3** and Figure 2 below, this information is shown on a monthly basis dating back to March 2017. With the exception of the

months of June and July, which represent a seasonal variation, it shows that the number of fte equivalent agency workers (including all categories) over the course of each month has reduced steadily from 639 in March 2017, to 432.7 in December 2017. This amounts to a reduction of almost 1/3 in the number of agency workers (32.3%), which is a significant achievement. The current number of fte agency workers represents only 9.17% of the council's permanent employees for the month of December.

Figure 2: Monthly use of agency workers (fte)



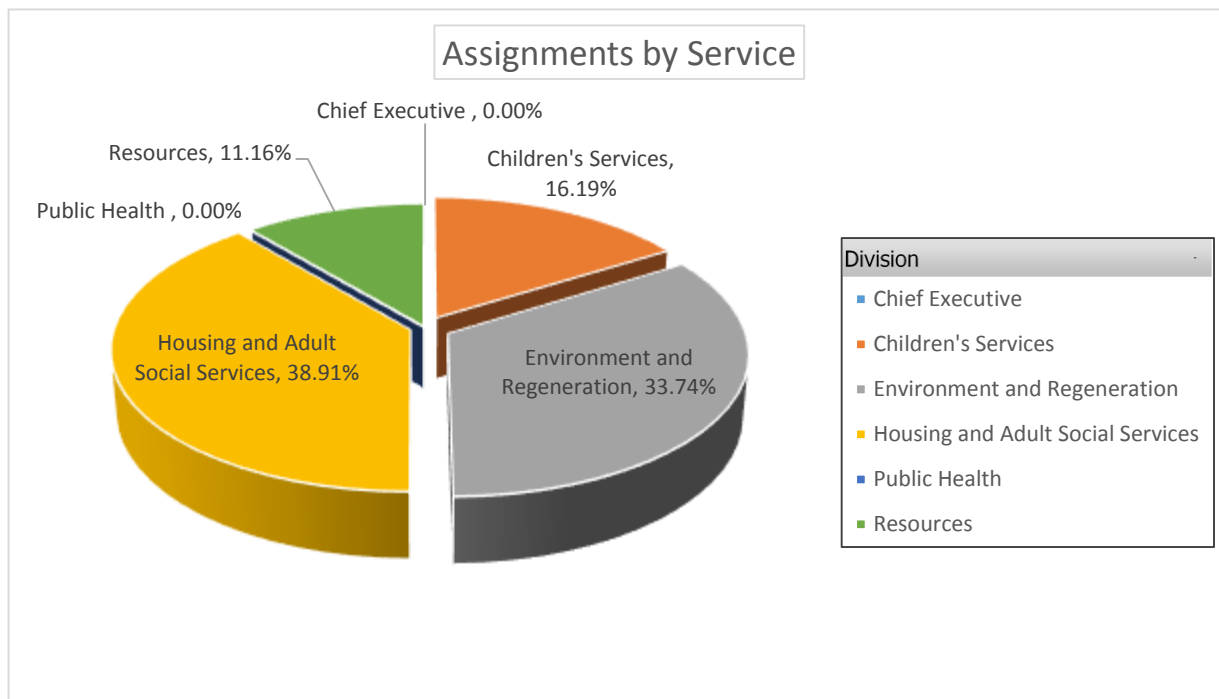
5.5 The reduction in the use of agency workers since March mirrors the reduction in spend reported in paragraph 4.1, and this trend is expected to continue as a result of ongoing management action reported below.

5.6 **Use of agency workers by department**

On 30<sup>th</sup> September, 2017, the highest number of live assignments was in HASS, with 286 (compared with 299 in the last report), followed by Environment and Regeneration, with 248 (compared with 212 in the last report), Children's Services with 119, Resources with 82, Public Health with 0 and the Chief Executive's Department with 0. Clearly HASS and E&R are the council's largest departments and provide many services which must be highly responsive to residents' needs.

5.7 Figures for use of agency assignments by department as at the end of September 2017 are shown at **Appendix 4**. This figure relates to the number of occasions on which agency workers were engaged (assignments), not the full-time equivalent figure.

Figure 3: Islington agency assignments for September 2017



Source: Comensura: 30<sup>th</sup> September

### 5.8 Average length of assignment

The average length of agency worker assignment is 411 days, including weekends (13 months). 256 agency workers have been engaged for longer than 12 months, which equates to 34.83% of assignments. This is comparable to the level last reported to this committee, when the figure was 237 agency workers, equating to 35.70% of assignments.

### 5.9 Types of assignments undertaken

There is a concerted effort on the part of managers across all departments to adopt alternative resourcing options, in order to reduce the number of agency workers engaged. Large recruitment campaigns are taking place in order to change resourcing models to a lower use of contingent labour.

**Appendix 5** sets out the roles undertaken by agency workers on 30<sup>th</sup> September, 2017, shown by department. The categories of roles are those available for selection when entering an assignment onto the Comensura system.

- In Public Health and the Chief Executive's Department, agency workers are used mostly to cover professional roles.
- In Children's Services, the majority of agency worker use is in qualified or unqualified social care roles (which also makes up a substantial part of the contingent labour in HASS) although a quarter of the roles in Children's Services are administrative and clerical. Agency workers have been used in these roles during a period of restructure to avoid permanent employees being made redundant. A fall in the number of agency workers is expected in the next few months as the restructure is finalised and posts reduced.

- In HASS, organisational changes are on-going and agency workers are being engaged until there is clarity about staffing needs, at which point the number of agency workers is expected to reduce. This may account for the relatively large number of agency workers categorised as administrative and clerical workers in that department at present.
- In December 2015, in E&R the most common category of agency assignment, manual labour, stood at 183. This has increased slightly, to 199, in September 2017. Managers continue to seek to reduce the use of agency workers by pursuing alternative resourcing options and by focusing on reducing sickness absence.
- In Resources, the greatest use of agency workers is also in the category of manual labour. There is a focus on reducing their use, with campaigns currently under way to recruit to permanent and fixed-term contracts, and projects to explore different ways of working.

## 5.10 Progress towards meeting departmental targets

The analysis of service requirements for agency workers has led to the following departmental targets for use of agency workers to enable the long-term annual average 10% target to be achieved. The agency worker strategy identifies a medium term target of 11.7% based on departmental use figures and actions underway to reduce use. Current progress on these targets is set out below.

Department	Target %	Current Performance %
Chief Executive's	2.5	0
Children's Services	9.5	9.24
E&R	12	19.13
HASS	16	16.25
Public Health	3	0
Resources	10	8.75
<b>Medium term annual average target</b>	<b>11.7</b>	<b>13.65</b>

Resources Department, Chief Executive's Department and Public Health are clearly over-achieving against their targets, Children's Services has also achieved its target and HASS is just slightly over its target.

## 6 Reducing the use of agency workers

### 6.1 IR35

In April, the much anticipated reforms to the IR35 legislation were introduced. These shifted the responsibility of paying tax and National Insurance contributions from agency workers engaged through Personal Service Companies to the party contracting with the Personal Service Company in circumstances where the worker's engagement resembled that of an employee. This change was intended to move as many public sector contractors as possible to be 'on payroll' and therefore considered for tax purposes to be the same as an employee. The reforms put some strain on service delivery but have been managed in such a way as to have little impact overall. Further changes to

this legislation are anticipated in April 2018 but it is unlikely that they will have a significant impact on the council's use of agency workers.

## 6.2 Management Information

Considerable work has been done to provide management information that will give managers a clear picture of their use of agency workers. As reported above, the information made available by the provider, Comensura, historically has been in the form of 'snapshot' reports, which showed the use of agency workers only on the final day of every month. In addition, the business structure on the provider's system was out of date. Now managers are receiving monthly reports which reflect the use of agency workers (both in the format of the number of assignments and the number of full-time equivalent workers) throughout the course of the month, and structures have been amended so they are accurate.

## 6.3 Principles for the use of agency workers

The Director of Human Resources has worked with the Chief Executive, Corporate Directors and the Executive Member for Finance, Performance and Community Safety to develop and adopt a set of principles to act as parameters for the use of agency workers. These principles provide guidelines for the deployment of agency workers, with the aim of reducing their numbers. They are attached at **Appendix 6**.

## 6.4 Improving recruitment

As agency workers are often used to provide capacity until recruitment to permanent or fixed-term contracts bears fruit, HR has been working closely with service managers to support more effective recruitment processes. This includes:

- Introducing a streamlined recruitment process, which will also allow for establishment records to be accurately maintained and budgets to be monitored. This process has been developed into an e-form to make the process even more user-friendly, which has been available to implement for the past 6 months but has been delayed due to a lack of capacity in Digital Services. At the time of writing, there is no indication of when it will be possible to implement this improvement to the council's processes;
- Developing a 'People Dashboard' so that at all times managers have at their fingertips access to accurate, up-to-date information on progress with recruitment campaigns, the number of agency workers engaged and levels of sickness absence. The Dashboard has been available to implement for the past 6 months but has been delayed due to a lack of capacity in Digital Services. At the time of writing, there is no indication of when it will be possible to implement this improvement to the provision of management information;
- Holding regular 'recruitment roundtable' meetings with managers in services where there are high levels of recruitment or hard-to-fill posts, to ensure there are no obstacles to the effective management of recruitment campaigns;
- Inviting Finance colleagues to resourcing meetings with managers, to clarify budget issues;
- Working with managers to develop alternative approaches to recruitment, to reflect different sectors of the employment market and make jobs accessible to the right candidates.

## **6.5 Other measures to reduce the use of agency workers**

A number of other issues can have an impact on the use of agency workers, including the salaries and benefits offered, ways of working and absence levels. Work currently underway to address these issues include:

- Providing advice to ensure that remuneration levels do not form a barrier to permanent recruitment, recommending the appropriate use of job evaluations and market supplements;
- Developing a compendium of the benefits offered by the council to assist in attracting the talent required to deliver services;
- Researching how different ways of working, such as annualised hours, may meet some resourcing needs and reduce the use of agency workers;
- Working with managers to reduce sickness absence, including a project to provide focused support in a particular service, and a review of the Managing Attendance policy, to make it more user-friendly. In addition to this, a spotlight has been shone on the provision of the occupational health service, and this scrutiny is greatly improving the service received.

## **7. Improved management of the agency workers contract**

7.1 The Director of Human Resources has been increasing the focus on the management of the current contract to reduce the dependence on temporary labour, as well as to deliver cost savings and efficiencies. This work has provided the following management information to aid decision-making.

- Assignments in each department exceeding 3 year's duration;
- Hours worked for each assignment over the standard Islington 35-hour week;
- List of rates paid by assignment in excess of the rate card charge for the role.

This information has helped managers to reduce the number of agency workers.

## **8. Procurement of a new agency workers' contract**

8.1 The current agency workers' contract expires in February 2018. Committee agreement was given to a mini tender under the YPO framework, Lot 1 for Managed labour. The Corporate Director for Resources was given delegated authority to award a new contract, in consultation with the Executive Member for Finance, Performance and Community Safety. The reasons for choosing this procurement route are that it provides:

- A framework of pre-assessed providers that includes the current provider;
- It enables the council to bring into the contract the current approximate £1.5m spend on senior interims that is currently off-contract;
- There is an option to use the contract for permanent recruitment;
- The contractor will partner with the council to deliver its social value aims to help more local people into employment;
- There is a financial incentive for using this framework in the form of an annual dividend, which will provide approximately £54K on the current level of spend on agency workers.

8.2 The decision has been taken to end the relationship with Comensura and award the contract to Reed, with the new contract starting on 5<sup>th</sup> February, 2018. The award was informed by engagement with managers through focus groups and an on-line survey to identify the requirements for a future contract. These were

used to inform supplier engagement events and the preparation of the tender document. Reed's tender is expected to deliver savings through the focused management of job categories and pay rates. The strong social value element of the contract bid promises to offer good opportunities to support access to employment for Islington residents.

## 9. Implications

### Financial implications:

None arising directly from this report.

### Legal implications:

None arising directly from this report

### Environmental Implications:

None.

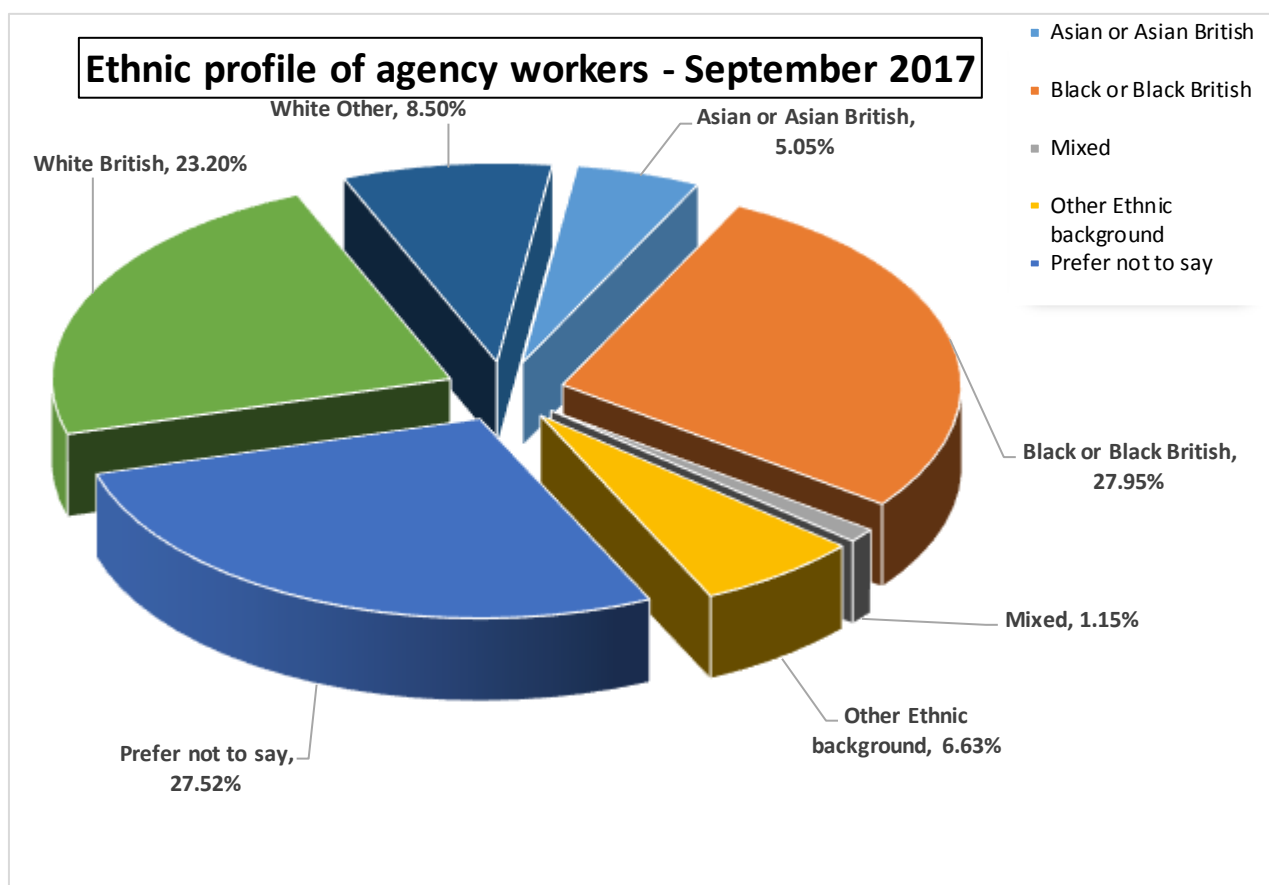
### Resident Impact Assessment:

No resident impacts arise directly from this report. An equalities analysis of agency workers as at 30<sup>th</sup> September, 2017 is set out below:

- Ethnicity

The diversity of agency workers and the directly employed workforce is similar in respect of BME groups, with 41% for agency workers and 38% for employees. There is a large percentage (28.3%) of agency workers who prefer not to declare their ethnicity. (See Figure 4 below).

Figure 4: Ethnic profile of agency workers





- Gender

The gender balance of the agency workforce is similar to the council's employees. 53.75% of agency workers are male, compared to 48.35% of council employees.

- Disability

The percentage of agency workers declaring a disability is less than 1.00%, which is significantly lower than the figure for directly employed staff, which is 8.33%.

- Age

The age distribution of the agency workers is set out in the table below (Figure 5), which shows that agency workers are on average younger than the council's employees. 6.34% of agency workers are under 25 compared to 2.94% of employees.

Figure 5: Age profile of agency workers

16-24	25-34	35-44	45-54	55-64	65+
6.34%	24.35%	25.94%	29.39%	12.68%	1.30%

Source Comensura: June 2017

## 10 Conclusion

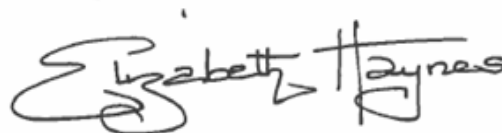
- 10.1 The actions agreed by the Executive have been completed and/or embedded and it is recommended that the regular scrutiny of the use of agency workers takes place only at Policy and Performance Scrutiny Committee.

Final report clearance:



**Signed by: Mike Curtis**  
Corporate Director of Resources

**5<sup>th</sup> January, 2018**



**Report author: Liz Haynes**  
Director of Human Resources

**5<sup>th</sup> January, 2018**

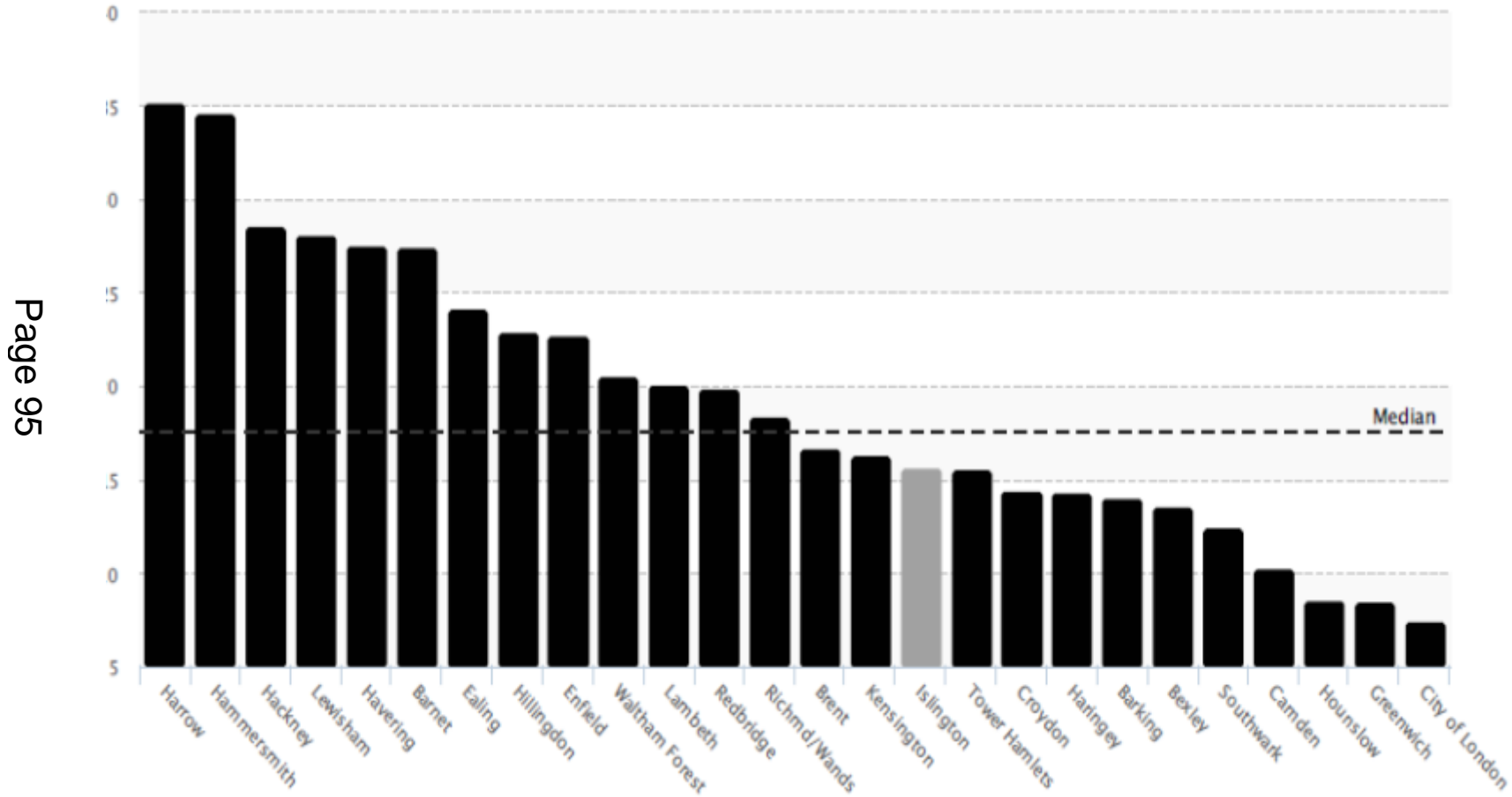
## Appendix 1

### Spend on agency workers from November 2014 to September 2017

Period	Spend by Department						Total Spend
	Chief Executive's	Children's Services	Environment and Regeneration	Resources	Housing and Adult Social Services	Public Health	
October 16 - September 17	£70,225	£4,531,693	£6,582,567	£4,419,512	£10,360,323	£185,849	£26,150,171
July 16 - June 17	£108,441	£4,445,748	£6,083,453	£5,053,308	£10,827,034	£263,679	£26,781,664
November 15 - October 16	£526,101	£3,845,127	£5,506,032	£5,078,407	£12,001,568	£107,836	£27,065,071
November 14 - October 15	£415,499	£4,200,612	£6,262,262	£4,531,437	£12,311,011	£76,953	£27,797,773

## Appendix 2

### Deployment of agency workers by London boroughs



Appendix 3

**ISLINGTON COUNCIL AGENCY WORKERS (FTEs)**

		Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
<b>Chief Executive's Department</b>	FTE (35 hr week)	0.0	0.0	0.0	1.0	0.2	0.0	0.0	0.0	0.8	1.0
	# Active Assignments	0	0	0	1	1	0	0	0	1	1
<b>Children's Services</b>	FTE (35 hr week)	85.8	78.0	80.3	89.4	95.7	85.8	78.2	87.7	85.3	77.3
	# Active Assignments	131	123	123	139	138	143	136	129	134	123
<b>Environment and Regeneration</b>	FTE (35 hr week)	191.8	173.8	174.2	182.7	191.4	190.2	191.7	187.9	169.3	147.4
	# Active Assignments	221	210	204	216	225	248	260	259	256	244
<b>Housing and Adult Social Services</b>	FTE (35 hr week)	270.8	234.8	228.9	221.5	224.3	214.2	193.7	191.5	178.0	164.5
	# Active Assignments	457	443	363	352	322	328	331	317	301	285
<b>Public Health</b>	FTE (35 hr week)	1.2	0.9	1.0	0.7	0.7	0.0	0.0	0.0	0.0	0.0
	# Active Assignments	2	2	2	2	1	0	0	0	0	0
<b>Resources</b>	FTE (35 hr week)	89.4	62.6	55.6	60.9	58.3	58.9	55.5	53.5	48.1	42.5
	# Active Assignments	137	118	111	93	92	102	97	102	90	77
<b>TOTAL</b>	FTE (35 hr week)	639.0	550.2	540.0	556.0	570.6	549.1	519.1	520.7	481.5	432.7
	# Active Assignments	948	896	803	805	779	821	824	807	782	730

## Appendix 4: Number of agency worker assignments by department

Agency worker assignments by service for September 2017

Service Area		Count
<b>Children's Services</b>		<b>119</b>
	Admin and Clerical	29
	Education	9
	Financial	3
	Information Technology	1
	Interim Executive	5
	Social and Healthcare Qualified	64
	Social and Healthcare Unqualified	8
<b>Environment and Regeneration</b>		<b>248</b>
	Admin and Clerical	7
	Engineering and Surveying	1
	Facilities and Environmental Services	22
	Housing Benefits and Planning	6
	Interim Executive	1
	Manual Labour	199
	Trades and Operatives	12
<b>Housing and Adult Social Services</b>		<b>286</b>
	Admin and Clerical	23
	Engineering and Surveying	31
	Facilities and Environmental Services	1
	Housing Benefits and Planning	29
	Information Technology	1
	Interim Executive	4
	Manual Labour	3
	Social and Healthcare Qualified	59
	Social and Healthcare Unqualified	97
	Trades and Operatives	38
<b>Resources</b>		<b>82</b>
	Admin and Clerical	9
	Facilities and Environmental Services	3
	Financial	1
	Housing Benefits and Planning	13
	Human Resources	2
	Information Technology	1
	Interim Executive	6
	Legal	11
	Manual Labour	35
	Procurement	1
<b>Grand Total</b>		<b>735</b>

## Appendix 5 - Agency worker roles

Job categories of staff  
during September  
(as at 30.09.17)

	Chief Executive	Children's Services	E&R	HASS	Public Health	Resources	Grand Total
Admin and Clerical	0	29	7	23	0	9	68
Education	0	9	0	0	0	0	9
Financial	0	3	0	0	0	1	4
Information Technology	0	1	0	1	0	1	3
Interim Executive	0	5	0	0	0	6	11
Social and Healthcare Qualified	0	64	0	59	0	0	123
Social and Healthcare Unqualified	0	8	0	97	0	0	105
Engineering and Surveying	0	0	1	31	0	0	32
Facilities and Environmental Services	0	0	22	1	0	3	26
Housing Benefits and Planning	0	0	6	29	0	13	48
Human Resources	0	0	0	0	0	2	2
Interim Executive	0	0	1	4	0	0	5
Manual Labour	0	0	199	3	0	35	237
Trades and Operatives	0	0	12	38	0	0	50
Legal	0	0	0	0	0	11	11
Procurement	0	0	0	0	0	1	1
<b>Grand Total</b>	<b>0</b>	<b>119</b>	<b>248</b>	<b>286</b>	<b>0</b>	<b>82</b>	<b>735</b>



**Principles for reducing the  
use of agency workers**

**May 2017**

## **Principles for reducing Islington Council's use of agency workers**

**The council has a presumption against the use of agency workers, preferring in all but exceptional circumstances to seek to recruit to permanent or fixed-term employment contracts.**

The reasons for this position are as follows :

- The council wishes to act as a responsible and ethical employer, providing opportunities which offer people stability and security for them and their families;
- The council offers terms and conditions of employment which reflect its commitment to reducing poverty and inequality, and to making Islington a fairer place;
- Unless used in conjunction with planned knowledge transfer, a high use of agency workers undermines efforts to build organisational and individual capability and does not allow for effective succession planning;
- An extensive use of agency workers carries significant risk in view of the facility with which workers can terminate contracts; and a potentially transient workforce will be less motivated and less committed to the council's vision and values.

**The council's operating principles regarding the use of agency workers are:**

- Wherever possible, agency workers will not be engaged on contracts longer than 12 months;
- Agency workers may be required on a short term basis to maintain frontline operational services such as refuse, recycling, social care, and for short-term externally funded projects or to support income generation;
- Large-scale programmes which require specific skills most appropriately sourced through agency contracts will specify the extent of the requirement during the planning stage of the programme;
- Where agency workers are engaged, recruitment on a permanent or fixed-term basis will be undertaken concurrently, except when the need is for periods shorter than three months;
- Managers will endeavour to convert current agency workers' contracts to fixed-term contracts where possible.
- The use of agency workers, other than for emergency cover, should only be authorised by corporate directors;
- Where agency workers are used to cover hard-to-recruit-to posts, advice should be sought from HR on alternative strategies to develop a sustainable workforce;
- Options for reviewing remuneration will be pursued rather than engaging agency workers where remuneration is believed to be an obstacle;
- Managers will not engage agency workers to cover clerical and administrative roles for longer than 3 months;
- Extensions to agency contracts beyond three months must be agreed by corporate directors and authorised by the chief executive;
- Unless there is a compelling and exceptional reason for so doing, agency workers will not be engaged on successive assignments.



**Human Resources undertakes to support the reduction of the use and cost of agency workers in the following ways.**

**Effective recruitment to permanent/fixed-term contracts**

- The introduction of the new recruitment approvals process makes recruitment more efficient and easily monitored. This will continue with the implementation of the e-form and People Dashboard, which will allow managers easily to monitor the progress of their recruitment campaigns.
- Working with systems providers, HR undertakes to provide management information on key measurables relating to recruitment.
- The Recruitment Team offers recruitment roundtable meetings with managers to focus on large-scale campaigns or hard-to-fill posts.
- Alternative approaches to resourcing are being trialled when potential candidates may be unfamiliar with public sector recruitment.

**Reward and remuneration measures that support permanent recruitment in a competitive employment market**

- Human Resources will support applications for market supplements in posts where the council's salary levels are thought to be uncompetitive.
- A total reward statement will be developed to enable managers to demonstrate the value of non-financial as well as financial elements of the reward offer.

**The development and implementation of departmental workforce plans**

- Human Resources will support the development and advise on the implementation of departmental workforce plans to ensure a planned approach to resourcing and development.

**Supporting the effective management of sickness absence and focusing on wellbeing**

- Working alongside managers, Human Resources will support the effective management of sickness, to seek to reduce absences, including targeted projects in services where absences are particularly high.
- Human Resources will work to increase the effectiveness of the occupational health service, including an increased focus on contract management, and review of delivery options.
- There will be an increased focus on promoting well-being at work, drawing together the total offer and increasing its profile.
- The Managing Attendance policy will be reviewed, to ensure that managers have the best tools with which to manage sickness absence.

**Effective management of the agency workers contract**

- Human Resources will continuously work closely with the provider to seek to offer more options to reduce the use and cost of agency workers.

**Increasing the provision of management information**

- The People Dashboard will provide managers with information at their fingertips on the number of agency workers, progress on recruitment campaigns, progress with appraisals and sickness absence. This will enable managers to manage more effectively through evidence-based decision-making.

**Increasing management capability**

- High-quality learning will continue to be provided to build management capability and support managers' ability effectively to apply the council's policies and procedures, including attendance management, recruitment and selection, and performance management.