



Resources Department
Town Hall, Upper Street, London, N1 2UD

AGENDA FOR THE AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

Members of the Audit Committee and Audit Committee (Advisory) are summoned to a meeting, which will be held in Committee Room 4, Town Hall, Upper Street, N1 2UD on, **31 January 2019 at 7.00 pm.**

Lesley Seary
Chief Executive

Enquiries to : Zoe Lewis
Tel : 020 7527 3486
E-mail : democracy@islington.gov.uk
Despatched : 23 January 2019

Membership

Councillor Nick Wayne (Chair)
Councillor Sue Lukes (Vice-Chair)
Councillor Satnam Gill OBE
Councillor Una O'Halloran
Alan Begg (Co-Optee)
Nick Whitaker (Co-Optee)

Substitute Members

Councillor Vivien Cutler
Councillor Sara Hyde
Councillor Rakhia Ismail
Councillor Flora Williamson

Quorum: is 3 Councillors



A. Formal Matters	Page
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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.

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7.	Identifiable Risks From A No-Deal Brexit	Verbal Report
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D. Urgent non-exempt items

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

E. Exclusion of press and public

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

F.	Confidential/exempt items	Page
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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 11 March 2019

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London Borough of Islington

Audit Committee and Audit Committee (Advisory) - 15 January 2019

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Committee Room 4, Town Hall, Upper Street, N1 2UD - Islington Town Hall on 15 January 2019 at 6.30 pm.

Present: **Councillors:** Councillor Nick Wayne (Chair), Councillor Sue Lukes (Vice-Chair), Councillor Satnam Gill OBE, Councillor Una O'Halloran.

Also Present: **Independent members:** Alan Begg and Nick Whitaker

Councillor Nick Wayne in the Chair

24 APOLOGIES FOR ABSENCE (Item A1)

There were no apologies for absence.

25 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

None.

26 DECLARATIONS OF INTEREST (Item A3)

Cllr Nick Wayne and Cllr Satnam Gill both declared personal interests, as the current and previous Chair of Audit Committee both had been Chair of the Personnel Sub-Committee when it considered recruitments mentioned in the Whistleblowing complaint.

27 AUTHORISATION OF EXTERNAL INVESTIGATION INTO WHISTLEBLOWING COMPLAINTS (Item B1)

Following a briefing by the Head of Internal Audit, Investigations and Risk Management and the Assistant Director, Corporate and Dispute Resolution, the Chair concluded that, based on the nature and seriousness of the matters raised, that the steps proposed were necessary and proportionate.

RESOLVED:

- 2.1 That the appointment of an appropriate external investigator, to undertake an investigation into the whistleblowing complaints described in this report, be agreed.
- 2.2 That authority be delegated to the Assistant Director, Corporate and Dispute Resolution to select and appoint the investigator be agreed.

- 2.3 That the findings of the independent investigation are reported back to a future meeting of the Audit Committee, be agreed.

- 28 AUTHORISATION OF EXTERNAL INVESTIGATION INTO WHISTLEBLOWING COMPLAINTS - EXEMPT APPENDICES (Item F1)**
That the information in the exempt appendix to agenda item B1 be noted (see Minute 27 for details).

The meeting ended at 7.03 pm

CHAIR

Audit Committee and Audit Committee (Advisory) - 15 January 2019

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The meeting ended at 7.03 pm

CHAIR

Report of: Service Director Financial and Asset Management

Meeting of:	Date	Ward(s)
Audit Committee	31 January 2019	All

Delete as appropriate	Exempt	Non-exempt
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COUNCIL TAX BASE AND NATIONAL NON DOMESTIC RATES 2019-20

1. SYNOPSIS

- 1.1 This report covers the Council Tax base calculation and National Non Domestic Rates (NNDR) estimate for the financial year 2019-20, as well as the forecast Collection Fund position for the financial year 2018-19.

2. RECOMMENDATIONS

- 2.1. To agree that the Council Tax base for the whole area for 2019-20 (or until rescinded) shall be 79,524.3 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 2019-20 (or until rescinded) shall be 45.2 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.3** and **Appendix B**)
- 2.3. To note the Council Tax forecast for 2018-19. (**Paragraph 5.1** and **Appendix C**)
- 2.4. To note the NNDR forecast for 2018-19. (**Paragraph 6.1** and **Appendix D**)
- 2.5. To delegate authority to the Acting Section 151 Officer to finalise the 2019-20 NNDR1 estimates for Islington, which will feed into the estimates for the London Business Rates Retention Pilot Pool. (**Paragraph 6.3**)

3. BACKGROUND

- 3.1. The Council is required to calculate its Council Tax base for the next financial year and notify precepting authorities by 31st January of the preceding financial year. On 26th 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 28th February 2019.

- 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 2019-20

- 4.1. The Council Tax base calculation for 2019-20 has been prepared on the following basis:
 - 4.1.1. The number of dwellings on the Valuation List as at 30th November 2018, adjusted for estimated exemptions, discounts and disabled relief in 2019-20;
 - 4.1.2. The Council Tax support scheme for 2019-20 agreed by Council on 6th December 2018;
 - 4.1.3. Provision for the continuation of council tax relief for care leavers, foster carers and Shared Lives carers;
 - 4.1.4. The estimated collection rate for 2019-20 of 98.0%.
- 4.2. The Council Tax base calculation for the Council's whole area for 2019-20 is set out at **Appendix A**; applying a collection rate of 98.0% results in a Council Tax base figure of 79,524.3.
- 4.3. The Council Tax base calculation for the Lloyd Square Garden area for 2019-20 is set out at **Appendix B**; applying a collection rate of 98.0% results in a Council Tax base figure of 45.2.

5. COUNCIL TAX FORECAST 2018-19

- 5.1. In the 2017-18 Statement of Accounts the final Council Tax position was a surplus of £0.501m, of which £0.478m was forecast as part of 2018-19 budget setting and £0.023m was an additional unbudgeted surplus carried forward to 2018-19. A further £0.820m in-year surplus is forecast in 2018-19, resulting in a total forecast Council Tax surplus of £0.843m in 2018-19 (£0.669m Islington Council share; £0.174m 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 this one-off surplus will be included in the 2019-20 budget.

6. NATIONAL NON DOMESTIC RATES 2018-19 FORECAST and 2019-20 ESTIMATE

- 6.1. In the 2017-18 Statement of Accounts the NNDR account was in surplus by £16.067m, of which £12.834m was forecast as part of 2018-19 budget setting and £3.233m was an additional unbudgeted surplus carried forward to 2018-19 (£0.970m 30% Islington Council share; £1.196m 37% GLA share; £1.067m 33% Central Government share). The Council's share of this one-off surplus will be included in the 2019-20 budget.
- 6.2. In 2018-19, the Council is a member of the London Business Rates Retention Pilot Pool 2018-19 whereby business rates income across London is pooled and redistributed between the 33 billing authorities and the GLA. The revised in-year forecasts for the pilot pool compared to the 2018-19 NNDR1 estimates will be determined by the forecasts of individual pool members within their 2019-20 NNDR1 estimates.

- 6.3. In 2019-20, the Council will participate in a revised London Business Rates Retention Pilot Pool 2019-20, subject to formal agreement by the 33 billing authorities (the 32 London boroughs and the Corporation of the City of London) and the GLA. It is recommended that authority is delegated to the Acting Section 151 Officer to finalise the 2019-20 NNDR1 estimates for Islington, which will feed into the estimates for the pilot pool.

7. IMPLICATIONS

Financial Implications

- 7.1. The financial implications of this report will be incorporated in the 2019-20 Budget Report and statutory Council Tax calculations to be considered by Executive on 7th February 2019 and Council on 28th February 2019.

Legal Implications

- 7.2. The Council, as billing authority, is required to calculate the amount which will be its Council Tax base for the next financial year by 31st January of the preceding financial year. (Section 31B of the Local Government Finance 1992 Act (as amended) and the Local Authorities (Calculation of Council Tax Base) Regulations 2012).
- 7.3. The Council must make similar calculations in relation to any items of expenditure which relate to a part only of the Council's area. This enables the Council to collect, as Council Tax, the contributions of the local residents for these expenses. In Islington, the expenses of meeting the special levy issued by the Lloyd Square Garden Management Committee qualify and the Council can take such expenses into account in calculating its budgetary requirements provided it has defined them as "special expenses" in a resolution in force at the time it calculates such requirements (Section 34 of the 1992 Act and the 2012 Regulations).
- 7.4. The precepting authorities must be notified by the Council of its Council Tax base calculation for the next financial year between 1st December and 31st 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 31st March. If the Council fails to comply with the end of January deadline, the regulations prescribe a notional formula for the precepting authorities to use in default, which will bind the Council. Similar rules require the precepting authorities to notify the Council of relevant prescribed information between 1st and 31st December of the preceding 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 11th March of the preceding financial year (although it will not be invalid merely because it is set on or after that date). Before the Council can decide this amount, it has to complete a further series of statutory calculations to establish its budgetary requirements for the next financial year. Again, these calculations under Section 31A-36 of the 1992 Act need to be made before 11th March of the preceding financial year and are usually made at the same time as the Council Tax is set.
- 7.7. The Council, as billing authority, must estimate for each financial year whether there is a surplus or deficit in its Collection Fund. Any surplus or deficit in respect of Council Tax must be shared between the Council and its relevant major precepting authorities and the Council is required to inform them should this be applicable (The Local Authorities (Funds) (England) Regulations 1992).
- 7.8. The Council, as billing authority, is required to estimate its national non domestic rates income, which will feed into the estimate for the London Business Rates Retention Pilot Pool 2019-20 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 2019-20
- Appendix B – Lloyd Square Garden Area Council Tax Base 2019-20
- Appendix C – Council Tax Forecast 2018-19

Background papers: None

Final report clearance:

Signed by:		16 January 2019
	Service Director Financial and Asset Management	Date

Report Author:

Martin Houston, Strategic Financial Advisor

Legal Implications Author:

David Daniels, Assistant Director of Law and Governance

APPENDIX A: ISLINGTON WHOLE AREA COUNCIL TAX BASE 2019-20

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Number of Dwellings as at 30th November 2018	4,827	6,160	29,693	32,858	18,284	9,283	6,956	910	108,971
Less Disabled Relief	0	(6)	(34)	(60)	(54)	(40)	(23)	(7)	(224)
Plus Disabled Relief	6	34	57	55	43	24	5	0	224
Less Exemptions	(2,906)	(276)	(837)	(1,247)	(814)	(493)	(154)	(22)	(6,749)
Total Chargeable Dwellings	1,927	5,912	28,879	31,606	17,459	8,774	6,784	881	102,222
Discounts (25%)	(852)	(3,232)	(13,385)	(10,869)	(4,663)	(1,850)	(1,048)	(82)	(35,981)
Discounts (50%)	0	(2)	(2)	(7)	(6)	(1)	(12)	(12)	(42)
Discounts (10%)	0	0	0	0	0	0	0	0	0
Less Equivalent Discount Value	(213)	(809)	(3,347)	(2,721)	(1,169)	(463)	(268)	(27)	(9,016)
Sub Adjusted Dwellings	1,714	5,103	25,532	28,885	16,290	8,311	6,516	855	93,206
Less Council Tax Support	(320)	(1,799)	(7,745)	(6,307)	(2,582)	(991)	(379)	(3)	(20,126)
Total Adjusted Dwellings	1,394	3,304	17,787	22,578	13,708	7,320	6,137	852	73,080
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D Equivalent	929	2,570	15,811	22,578	16,755	10,573	10,228	1,703	81,147

Band D Equivalent Assuming 98.0% Collection Rate

79,524.3

APPENDIX B: LLOYD SQUARE GARDEN AREA COUNCIL TAX BASE 2019-20

	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
Total Chargeable Dwellings	0	0	0	1	2	3	18	5	29
Discounts (25%)	0	0	0	0	0	(1)	(3)	0	(4)
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	(0)	(1)	0	(1)
Total Adjusted Dwellings	0	0	0	1	2	3	17	5	28
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D Equivalent	0	0	0	1	2	4	29	10	46

Band D Equivalent Assuming 98.0% Collection Rate

45.2

APPENDIX C: COUNCIL TAX FORECAST 2018-19

	2017-18 Actual £000	2018-19 Budgeted £000	2018-19 Forecast £000
<u>Income</u>			
Net Council Tax Income (excluding Council Tax Support)	(132,288)	(141,920)	(141,549)
Council Tax Support	25,251	27,873	26,314
Total Income	(107,037)	(114,047)	(115,235)
<u>Expenditure</u>			
Precepts and Demand			
Islington Council			
- General Expenses	82,696	88,747	88,747
- Special Expenses (Lloyd Square Garden Area)	17	17	17
	82,713	88,764	88,764
Greater London Authority Precept	21,620	23,002	23,002
Total Precepts and Demand	104,333	111,766	111,766
Impairment Allowance & Write Offs	2,573	2,281	2,649
Total Expenditure	106,906	114,047	114,415
(Surplus)/Deficit for the year	(131)	-	(820)
Contributions towards Previous Year's Forecast Surplus			
Islington Council	2,185	379	379
GLA	591	99	99
Total Distribution of Surplus (Deficit)	2,776	478	478
(Surplus)/Deficit for the year net of share of contributions	2,645	478	(342)
(Surplus)/Deficit brought forward at beginning of the year	(3,146)	(478)	(501)
(Surplus)/Deficit carried forward to next year	(501)	-	(843)
Share of Forecast (Surplus)/Deficit			
Islington Council			(669)
Greater London Authority			(174)
Total (Surplus)/Deficit			(843)

Report of: Corporate Director of Finance and Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	31 January 2019		

Delete as appropriate	Exempt	Non-exempt

SUBJECT: Annual Treasury Management and Investment Strategy 2019-20

1. Synopsis

- 1.1 This report discusses the council's 2019-20 annual treasury management strategy and investment strategy.

2. Recommendations

- 2.1 To consider the Council's 2019-20 annual treasury management and investment strategy before full council's approval at its budget and council tax setting meeting on 28th February 2019. 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

- £131.4m is estimated to be required to be borrowed over the next 3 years
 - £48.9million to replace existing borrowing that matures
 - £82.5million 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 3.7.
- The Council's investment priorities in order of importance are:
 - security of the invested capital;
 - liquidity of the invested capital;
 - an optimum yield which is commensurate with security and liquidity

3. Background

3.1 INTRODUCTION

- 3.1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has defined treasury management as “the management of the organisations’ investments and cashflow, its banking, money market and capital market transactions; the effective control of the risks associated with these activities and the pursuit of optimum performance consistent with those risks.
- 3.1.2 Treasury management activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 26th February 2002. The Council has incorporated the changes from the revised 2011 CIPFA Code of Practice into its treasury policies procedures and practices. The treasury risk management is conducted within the framework of the CIPFA and Accountancy Treasury Management Code of Practice 2017, requires the authority to approve a treasury management strategy before the start of each year.
- 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 Investments held for service purposes or for commercial profit are considered in a different report, Investment Strategy report and approved by full Council at its budget and council tax setting meeting on 28th February 2019.
- 3.1.5 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 2019-20 budget to be considered in February, are set out in **Table 1** below:

Table 1 – Capital Financing, Balances and Reserves Forecasts

	31/03/2019 Estimate £m	31/03/2020 Estimate £m	31/03/2021 Estimate £m	31/03/2022 Estimate £m
General Fund CFR	154.0	175.8	173.6	163.5
Long term Liabilities- PFI	122.4	109.9	94.8	81.5
HRA CFR	442.3	442.3	472.6	496.8
Total CFR	718.7	728.0	741.0	741.8
Less Balances and Reserves	(225.8)	(160.6)	(155.4)	(213.4)
Net Balance Sheet Position	492.9	567.4	585.6	528.4

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 2019/20 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 relatively soft throughout 2019. The central case forecast is for UK Bank Rate to be hiked twice during the coming year to 1.25%. Gilt yields and PWLB rates are expected to move upwards from current levels due to strength of US economy and ECB's forward guidance on higher rates.

3.4 Borrowing Strategy

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

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

	2018-19	2019-20	2020-21	2020-22
	estimate £M	estimate £M	estimate £M	estimate £M
New Borrowing	31.6	23.6	34.4	24.5
Replacement borrowing	12.1	11.1	14.5	23.3
TOTAL	43.7	34.7	48.9	47.8

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 and their pension funds, 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 2019-20 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 be hiked twice to 1.25%. As at 31st December 2018, the council had agreed non-PWLB long term loans of £54.5m. All these loans are from other local authorities over outstanding periods of up to 3.5 years at an average rate of 2.0%.

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 £131.4million, £48.9million 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 2019-20 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 and CIFA Code, 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 **Business model**

Under the new IFRS 9 standard, the accounting for certain investments depends on our business model for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore where other criteria are also met, these investments will continue to be accounted for at amortised cost

3.7 **Investment instruments approved counterparties.**

3.7.1. Potential instruments for the Council's use within its investment strategy are UK Government, local authorities or government backed public organisations, banks, corporates and registered providers.

3.7.2 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) 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.

3.7.3 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.

3.7.4 The Council's internally managed investments as at 31 December totalled £110million and the forecast position for the end of March through 2019 will average £75million. 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 £75m:

- 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.

- 3.7.5 If the cash flow positions were to increase because of forward borrowing, then investments criteria will revert to credit ratings as stated in paragraph 3.7.2
- 3.7.6 A copy of the Council's current Approved lending list and the institutions actually lent to as at December 2018 is attached as **Appendix C** for information. In addition, the Council has borrowed £58m at an average rate of 0.7% 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.
- 3.7.7 The bank rate was raised from 0.50% to 0.75% in August 2018. 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 be raised twice to 1.25% through 2019.
- 3.7.8 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.
- 3.7.9 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.
- 3.8 **Housing Revenue Account policy on apportioning interest**
- 3.8.1 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.
- 3.8.2 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.
- 3.9.3 **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.

3.10 Monitoring

3.10.1 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.

3.11 Members Training

3.11.1 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. Training on treasury management is available to Members and can be tailored to their needs and should be assessed regularly to ensure knowledge and skills are maintained at appropriate levels

3.11 Advisors

3.11.1 Arlingclose, our appointed treasury advisors, undertake their role as advisors to enable the Council to make informed decisions.

3.12 Markets in Financial Instruments Directive

3.12.1 The council has opted up to professional client status with its providers of financial services, including advisors, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. The Director of Finance and Resources believes this to be the most appropriate status given the size and range of our treasury management activities.

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

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

4.3 Resident Impact Assessment

4.3.1 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.

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

4.4 **Environmental Implication**
None applicable to this report.

5. Conclusion and reasons for recommendations

5.1 This is the annual treasury and investment strategy statement report discussing the council's strategy on borrowing and investment and also reviewing current investment policy. Members are asked to consider this strategy before it is presented for approval at the council budget and council tax setting meeting on 28 February 2019.

Apendices: **Appendix A-** Arlingclose Economic and Interest Rate Forecast as at December 2018
Appendix B- Prudential Indicators
Appendix C- Current Lending List and Counterparty Schedule

Background papers:

Audit Commission National Report 2009; Council Budget Report on 22 February 2018
CIPFA guidance on treasury management issued in November 2009

Final Report Clearance

Signed by



Service Director Financial and Asset
Management

Date 22.01.2019

Received by

Head of Democratic Services

Date

Report author: Joana Marfoh (head of treasury and pensions)
Tel: 020- 75272382
Fax: 020- 75272056
E-mail: joana.marfoh@islington.gov.uk

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

Underlying assumptions:

- Our central interest rate forecasts are predicated on there being a transitional period following the UK's official exit from the EU.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening - previous hikes and heightened expectations will, however, slow economic growth.
- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitional period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.13
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-0.85
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
Arlingclose Central Case	0.90	0.95	1.10	1.30	1.40	1.40	1.40	1.35	1.35	1.35	1.35	1.35	1.35	1.27
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.76
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.70	1.60	1.50	1.40	1.35	1.35	1.35	1.35	1.35	1.40
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.77
5-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.50	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.33
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.66
10-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.50	1.65	1.70	1.80	1.80	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	-0.71
20-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	2.00	2.10	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.18
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
50-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.90	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.99
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73

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EXTERNAL DEBT INDICATORS

1

Authorised Limit for External Debt (including PFI)							
			2018-19 £000s Approved	2018-19 £000s Revised	2019-20 £000s Estimate	2020-21 £000s Estimate	2021-22 £000s Estimate
Borrowing			461,000	318,000	413,000	462,000	509,000
Other Long Term Liabilities			127,000	122,000	110,000	95,000	82,000
TOTAL AUTHORISED LIMIT			588,000	440,000	523,000	557,000	591,000

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

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Operational Boundary for External Debt (including PFI)							
			2018-19 £000s Approved	2018-19 £000s Revised	2019-20 £000s Estimate	2020-21 £000s Estimate	2021-22 £000s Estimate
Borrowing			431,000	298,000	383,000	432,000	479,000
Other Long Term Liabilities			117,000	112,000	100,000	85,000	72,000
TOTAL OPERATIONAL BOUNDARY			548,000	410,000	483,000	517,000	551,000

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

Actual External Debt (including PFI)							31.3.18 £000s Actual
Borrowing							258,000
Other Long Term Liabilities							122,000
TOTAL EXTERNAL DEBT							380,000

This is the actual external debt that the Council held at 31st March 2018

Other long-term liabilities include items such as PFI schemes and finance leases.

TREASURY MANAGEMENT INDICATORS

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

Maturity Structure of New Fixed Rate Borrowing						
					31.3.18 Existing (Benchmark) Level %	2019-20 Upper Limit %
						2019-20 Lower Limit %
Under 12 months					5.0%	100%
12 months and within 24 months					8.0%	100%
24 months and within 5 years					12.0%	100%
5 years and within 10 years					16.0%	100%
10 Years and within 20 years					24.0%	100%
More than 20 years					35.0%	100%

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							
			2018-19 £000s Approved	2018-19 £000s Revised	2019-20 £000s Estimate	2020-21 £000s Estimate	2021-22 £000s Estimate
Total principal sum invested			55,000	50,000	50,000	50,000	50,000

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

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 3.6 of the Strategy Statement of the Councils Treasury Management

Interest Rate Exposure

	2019/20 Limit £'000s
Upper limit on one-year revenue impact of a 1% rise in interest rates	5,682
Upper limit on one-year revenue impact of a 1% fall in interest rates	3,788

This indicator is set to control the Council's exposure to interest rate risk, on the assumption that maturing loans and investments will be replaced at current rates.

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Counter-Party List - APPENDIX C

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		LB1		Arlingclose Current Advice		Lending at 31/12/2018	
UK Banks																		
Barclays	A+	F1	A1	P-1	A	A-1	AA/Aa2/Aau	96	158	30,000,000	36 Months		Council Bankers from Mar 2015 - overnight liquidity only		Limit to 100 Days - CHECK !!!		Barclays	
HSBC	AA-	F1+	Aa3	P-1	AA-	A-1+	AA/Aa2/Aau	37	650	30,000,000	36 Months		Limit to 6 Months - CHECK !!!		Limit to 6 Months - CHECK !!!		HSBC	
Lloyds	A+	F1	Aa3	P-1	A+	A-1	AA/Aa2/Aau	38	54	30,000,000	36 Months		Limit to 6 Months - CHECK !!!		Limit to 6 Months - CHECK !!!		Lloyds	
RBS	A+	F1	A1	P-1	A-	A-2	AA/Aa2/Aau	124	226	30,000,000	36 Months		SUSPENDED !!!		Limit to 100 Days - CHECK !!! (new)		RBS	
Santander UK	A+	F1	Aa3	P-1	A	A-1	AA/Aa2/Aau/ BBB+/Baa2/BBB+(Spain)	83	N/A	30,000,000	36 Months		SUSPENDED !!!		Limit to 6 Months - CHECK !!!		Santander UK	
Standard Chartered	A+	F1	A1	P-1	A	A-1	AA/Aa2/Aau	53	614	30,000,000	36 Months		SUSPENDED !!!		Limit to 6 Months - CHECK !!!		Standard Chartered	
UK Building Societies																		
Nationwide	A+	F1	Aa3	P-1	A	A-1	AA/Aa2/Aau	N/A	N/A	30,000,000	36 Months		SUSPENDED !!!		Limit to 6 Months - CHECK !!!		Nationwide	
Non UK Banks																		
Australia																		
Australia & NZ Banking Group	AA-	F1+	Aa3	P-1	AA-	A-1+	AAA/Aaa/AAAu	100	N/A	15,000,000	36 Months		Limit to 6 Months - CHECK !!!		Limit to 6 Months - CHECK !!!		Australia & NZ Banking Group	
Commonwealth Bank of Australia	AA-	F1+	Aa3	P-1	AA-	A-1+	AAA/Aaa/AAAu	130	N/A	15,000,000	36 Months		Limit to 6 Months - CHECK !!!		Limit to 6 Months - CHECK !!!		Commonwealth Bank of Australia	
National Australia Bank	AA-	F1+	Aa3	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	
Westpac Banking Group	AA-	F1+	Aa3	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	
Canada																		
Bank of Montreal	AA-	F1+	Aa2	P-1	A+	A-1	AAA/Aaa/AAA	N/A	N/A	15,000,000	36 Months		Limit to 6 Months - CHECK !!!		Limit to 6 Months - CHECK !!!		Bank of Montreal	
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	AAA/Aaa/AAA	N/A	N/A	15,000,000	36 Months		Limit to 6 Months - CHECK !!!		Limit to 6 Months - CHECK !!!		Bank of Nova Scotia	
Canadian Imperial Bank of Commerce	AA-	F1+	Aa2	P-1	A+	A-1	AAA/Aaa/AAA	N/A	N/A	15,000,000	36 Months		Limit to 6 Months - CHECK !!!		Limit to 6 Months - CHECK !!!		Canadian Imperial Bank of Commerce	
Royal Bank of Canada	AA	F1+	Aa2	P-1	AA-	A-1+	AAA/Aaa/AAA	N/A	N/A	15,000,000	36 Months		Limit to 6 Months - CHECK !!!		Limit to 6 Months - CHECK !!!		Royal Bank of Canada	
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 6 Months - CHECK !!!		Limit to 6 Months - CHECK !!!		Toronto-Dominion Bank	
Finland																		
Germany																		
Netherlands																		
ING Bank	A+	F1	Aa3	P-1	A+	A-1	AAA/Aaa/AAAu	40	N/A	15,000,000	36 Months		SUSPENDED !!!		SUSPENDED !!! - 11/12/2018		ING Bank	
Rabobank	AA-	F1+	Aa3	P-1	A+	A-1	AAA/Aaa/AAAu	40	N/A	15,000,000	36 Months		Limit to 13 Months - CHECK !!!		Limit to 6 Months - CHECK !!! (11/12/2018)		Rabobank	
Sweden																		
Handelsbanken	AA	F1+	Aa2	P-1	AA-	A-1+	AAA/Aaa/AAAu	45	N/A	15,000,000	36 Months		SUSPENDED !!!		SUSPENDED !!! - 11/12/2018		Svenska Handelsbanken	
Nordea Bank AB	AA-	F1+	Aa3	P-1	AA-	A-1+	AAA/Aaa/AAAu	55	N/A	15,000,000	36 Months		Limit to 13 Months - CHECK !!!		Limit to 6 Months - CHECK !!! (11/12/2018)		Nordea Bank	
Switzerland																		
Credit Suisse	A	F1	A1	P-1	A	A-1	AAA/Aaa/AAAu	90	N/A	15,000,000	36 Months		SUSPENDED !!!		SUSPENDED !!! - 11/12/2018		Credit Suisse	
USA																		
Other																		
Deutsche Bank Global Liquidity Fund			Aaa / MR1+		AAA m		N/A	N/A	N/A	15,000,000	N/A		OK - Limit to 0.5% of Fund Size (approx £25M)		OK - Limit to 0.5% of Fund Size (approx £25M)		Deutsche Bank Global Liquidity Fund	
UK Local Authorities					AAA		N/A	N/A	N/A	15,000,000(per authority)	24 Months - amended 11/12/18		OK		Limit to 24 Months - WEF 11/12/2018	110,000,000	UK Local Authorities	
Supra-National Bonds (EIB)	AAA		Aaa		AAA		N/A	N/A	N/A	Unlimited	Unlimited		SUSPENDED !!!		OK - CHECK !!!		Supra-National Bonds (EIB)	
UK DMADF	AA		Aa2		AA		N/A	N/A	N/A	Unlimited	6 Months		OK		OK		UK DMADF	

TOTAL FUNDS INVESTED

110,000,000

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Report of: Corporate Director Resources

Meeting of:	Date:	Ward(s):
Audit	31 January 2019	All

Delete as appropriate:	Exempt	Non-exempt
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THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: Local Government & Social Care Ombudsman (LGSCO) Annual Review performance report 2018

1. Synopsis

- 1.1 Following publication of LGSCO Annual Review Letter 2018, this report provides a summary of the council's performance in complaint handling from 1 April 2017 to 31 March 2018, highlighting decisions upheld by the LGSCO.

The report details the number of complaints received (126) by the LGSCO for the authority during 17/18.

Of the 126 complaints, 114 received a decision; 12 complaints did not pass the LGSCO assessment stage, as LGSCO had no lawful power to investigate and presented no reason to use their exceptional powers to do so.

Of the 114 cases decided upon, 16 cases underwent a detailed investigation.

2. Recommendations

- 2.1 To note the Local Government & Social Care Ombudsman Annual Review letter 2018 dated 18 July 2018 attached as Appendix 1.
- 2.2 To note that of the 16 cases investigated, there were 11 upheld decisions (finding of maladministration) with the remaining five cases not upheld.

To note that separate to complaints investigated by the LGSCO and Annual Review letter, four upheld decisions (finding of maladministration) were decided by the Housing Ombudsman, attached Appendix 2.

- 2.3 To note the Complaints/Improvement Plan.
- 2.4 To note that, in line with the Council's statutory duty, section 5(2) of the Local Government and Housing Act 1989. The Council's Monitoring Officer will provide a twice-yearly report into the Audit Committee.
- 2.5 To note that this report will go to Audit Committee 31 January 2019.

3. Background

- 3.1 A total of 11 cases were decisions upheld by the LGSCO.

Table 1: Services and summary of decisions

Housing Services - Total of 5 upheld cases

Summary of complaint	Findings	Compensation & Amount	Reason
Delay in the handling of the homelessness application and responding to complaints accepted and managed under the Council's Corporate Complaints Procedure.	Finding Maladministration and Injustice Reason for LGSCO Decision No satisfactory remedy offered by the Council before the LGSCO involvement.	Compensation £2035.17 Reason Compensation Paid To acknowledge the avoidable stress, frustration and inconvenience caused by the council's faults.	
The Council made an offer for the freehold of a property which it later decided it should not have and delayed in providing a full explanation of the reason.	Finding Maladministration No Injustice Reason for LGSCO Decision No Satisfactory remedy offered by the Council before the LGSCO involvement.	Compensation £250.00 Reason Compensation Paid To acknowledge the avoidable stress, frustration and inconvenience caused by its faults.	
The Council failed to advise of its decision regarding the homelessness application and give advice on the right to review.	Finding Maladministration and Injustice Reason for LGSCO Decision No Satisfactory remedy offered by the Council before the LGSCO involvement.	Compensation £200.00 Reason Compensation Paid Lost opportunity and time and trouble.	

The Council carried out a number of medical assessments but there was not enough evidence that it considered the emotional welfare of one of the children in the household.	Finding Maladministration and Injustice Reason for LGSCO Decision The LGSCO felt that a further assessment needed to be undertaken that fully considers the emotional welfare of the child in question.	Compensation None Reason Compensation Paid None. New medical assessment arranged.
Dissatisfaction with the amount of compensation awarded by the Council following delays with the homelessness application.	Finding Upheld – no further action Reason for LGSCO Decision Satisfactory remedy offered by the Council before the LGSCO involvement.	Compensation £425.00 Reason Compensation Paid No change to the compensation offered by the council.

Adult Care Services Total - Total of 4 upheld cases

Summary of complaint	Findings	Compensation Reason & Amount
Delay in arranging residential care and poor communication with the family.	Finding Maladministration and Injustice Reason for LGSCO Decision No Satisfactory remedy offered by the Council before the LGSCO involvement.	Compensation £500.00 Reason Compensation Paid Distress caused and for the time and trouble in pursuing the complaint.
The Care providers provided by the Council were continually late for the late night visit, which was not in line with the agreed home care plan.	Finding Maladministration and Injustice Reason for LGSCO Decision No Satisfactory remedy offered by the Council before the LGSCO involvement.	Compensation £450.00 Reason Compensation Paid Distress, time and trouble and poor service they received.
Delay in assessing and providing for care needs.	Finding Maladministration and Injustice Reason for LGSCO Decision The LGSCO recommended that LBI resolve the conflict about the support plan or make a referral to the Legal Department.	Compensation None Reason Compensation Paid None.

The Council was at fault for allowing a resident's possessions to be destroyed during a thorough clean.	Finding Maladministration and Injustice Reason for LGSCO Decision No Satisfactory remedy offered by the Council before the LGSCO involvement.	Compensation £1500.00 Reason Compensation Paid Distress and time and trouble. To buy a replacement wardrobe.
---	--	--

Benefits and Tax - Total of 1 upheld case

Summary of complaint	Findings	Compensation Reason & Amount
The Council did not clearly explain why it needed more information to assess a claim for Housing Benefit and Council Tax support	Finding Maladministration and No Injustice Reason for LGSCO Decision Errors in the Council's decision letter.	Compensation None Reason Compensation Paid None. Guidance to staff on good practise.

Environment Services - Total of 1 upheld case

Summary of complaint	Findings	Compensation Reason & Amount
The Council delayed in responding to reports of Anti-Social Behaviour	Finding Maladministration and Injustice Reason for LGSCO Decision Delays in following the Council's Corporate Complaints Procedure.	Compensation None Reason Compensation Paid None. Apology given to customer.

3.2 Comparison to the Previous Year

	Complaints received	Complaints investigated	Complaints upheld	Upheld rate
2014/2015	111	16	7	43%
2015/2016	100	21	10	48%
2016/2017	106	16	7	44%
2017/2018	126	16	11	69%

Whilst the number of complaints received by the LGSCO for 2017/18 increased by 20 cases (19%) when compared to 2016/17, the percentage of cases they actually investigated fell from 15% to just 12.7% in 2017/18.

The increase in the upheld rate is due largely to change changes to the way the LGSCO now approaches complaint investigations. Previously, the LGSCO would focus their investigation solely on the issue raised by the complainant. This has however changed and the LGSCO now adopts a much wider and more rigorous approach to investigations that incorporates all aspects of the council's complaint handling procedures. An example of this can be seen in the first complaint recorded under Housing in Table 1. The original complaint raised by the customer concerned issues that led to a delay in the handling of the homelessness application. This was subsequently investigated and responded to. However, as well as looking at this issue, the LGSCO widened the scope of their investigation to examine how the complaint was accepted and managed under the Council's Corporate Complaints Procedure at stage 1. This aspect of the LGSCO's investigation led to a finding of maladministration against the council, despite the fact that this was not complained about, therefore not allowing the authority the opportunity to investigate and respond.

Complaints/Improvement Plan

Improvements

We have already undertaken a great deal of work to improve our management of complaints, with key changes in 2018 including the following:

- The published reports provided by the LGSCO are used as examples to help in the investigation of complaints. Along with the Good Practice Guide we have developed for staff, which is based on the LGSCO's own guidance documents; this will help to ensure we investigate complaints and provide remedies in line with LGSCO guidelines, reducing the likelihood of findings and maladministration.
- Changes have also been made to the Complaints Policy, giving Central Complaints more authority in deciding appropriate remedy actions and compensation.
- Using complaint outcomes, the services have produced new guidance on good practice. This includes for example, changes to how homelessness applications are processed. This work will continue throughout 2018/19.

Going forward, other improvements planned to reduce the number of complaints investigated by the LGSCO include the following:

- The Central Complaints Team who manage complaints on behalf of the Chief Executive will now routinely review the complaint handling process for each Chief Executive complaint and work with complaint leads to ensure that failures by departments to the follow the correct procedure are addressed as part of the investigation and prior to LGSCO involvement.
- The Central Complaints Team will continue to work with Senior Managers and Departmental Complaint Leads to reinforce effective complaint handling. This will include full case reviews not only looking at trends and why complaints escalated, but also examining all aspects of the complaint investigations.
- In addition, the processes and procedures that include LBI compensation guidelines, the LGSCO remedies guidelines, complaint letter templates and guidance on dealing with Ombudsman cases will be made available on the council's internal website. Combined

with robust training, this will ensure that staff across the organisation have the necessary tools to undertake effective complaint handling.

- Learning from complaints for all services will be detailed in the quarterly complaint report submitted to the Members Performance Panel, with further detailed reports prepared for CMB
- We will continue to organise complaint handling training for services and departments.

Training

In April 18, the Council introduced two complaint handling courses; Effective Complaint Handling and Effective Complaint Handling Adult Social Care. These were targeted at all Islington staff and partner organisations involved in complaint investigation and the general management of complaints.

Covering the LGSCO training programme, we have delivered 7 facilitated courses to 69 officers. The training was delivered directly by the LGSCO as part of collaborative working. The programme of training will continue throughout this year and the trends/learning reported to Departmental Complaint Leads and Senior Management.

Summary

Despite there having been an increase in the number of complaints to the LGSCO, the volume of complaints requiring investigation remained static and in percentage terms fell.

At the time of this report the year figures for Upheld Detailed Investigations is five, which is the same as this time last year. Continued and ongoing reflection and assessment will be centred upon reducing the Upheld Rate. Actions such as greater flexibility on compensation payments have already been implemented.

4. Implications

4.1 Financial implications:

A total of £5,360 has been paid in compensation for 2017/18, which is a significant decrease (£5,875) on the £11,235 paid in 2016/17.

4.2 Legal Implications:

In accordance with s 5A(2) of the Local Government and Housing Act 1989 the Monitoring Officer is under an obligation to prepare a report to the Executive where it appears that the authority, or any part of it, has acted or is likely to act in such a manner as to constitute maladministration, or service failure, and where the LGSCO has conducted an investigation into the matter. This obligation applies to all LGSCO decisions.

In preparing that report, the Monitoring Officer is under a duty to consult as far as practicable with the Head of Paid Service and the Chief Finance Officer (s 5A(5)(a)). As soon as practicable after the report has been prepared, the Monitoring Officer's report must be sent to each member of the authority (s 5(A)(5)(b)).

However, the LGSCO in their letter to this authority dated the 20th July 2017 stated:

"..... I do not seek to impose a prescriptive approach, as long as the Parliamentary intent is fulfilled in some meaningful way and the authority's performance in relation to Ombudsman investigations is properly communicated to elected members.

As a general guide I would suggest:

Where my office has made 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 my investigations, I feel that the duty is satisfactorily discharged if the Monitoring Officer makes a periodic report to the council summarising the findings on all upheld complaints over a specific period....."

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

- 5.1 To ensure that Councillors are kept informed about complaints that have been reviewed by the Local Government and Social Care Ombudsman.

Appendix 1: Local Government & Social Care Ombudsman Annual review letter dated 18 July 2018.

Appendix 2: Housing Ombudsman Complaints with finding of maladministration.

Final report clearance:

Signed by:



Peter Fehler
Acting Director of Law and Governance
Monitoring Officer

Date: 18.12.18

Report Author: Karen McKenzie
Customer Service and Improvement Manager
Tel: 020 75271924

Email: Karen.mckenzie@islington.gov.uk

Financial Implications Author: Steve Key

Tel: 020 75275636

Email: stephen.key@islington.gov.uk

Legal Implications Author: Sonal Mistry

Tel: 020 75273833

Email: Sonal.mistry@islington.gov.uk

Local Government & Social Care OMBUDSMAN

18 July 2018

By email

Lesley Seary
Chief Executive
London Borough of Islington

Dear Lesley Seary,

Annual Review letter 2018

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) about your authority for the year ended 31 March 2018. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

Complaint statistics

In providing these statistics, I would stress that the volume of complaints does not, in itself, indicate the quality of the council's performance. High volumes of complaints can be a sign of an open, learning organisation, as well as sometimes being an early warning of wider problems. Low complaint volumes can be a worrying sign that an organisation is not alive to user feedback, rather than always being an indicator that all is well. So, I would encourage you to use these figures as the start of a conversation, rather than an absolute measure of corporate health. One of the most significant statistics attached is the number of upheld complaints. This shows how frequently we find fault with the council when we investigate. Equally importantly, we also give a figure for the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. Both figures provide important insights.

I want to emphasise the statistics in this letter reflect the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, some of whom may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

Your Council has worked positively with my office this year to address the complaints we received about your Council. My investigators had told me the Council works proactively to implement improvements and respond positively to our recommendations.

Future development of annual review letters

Last year, we highlighted our plans to move away from a simplistic focus on complaint volumes and instead turn focus onto the lessons that can be learned and the wider improvements we can achieve through our recommendations to improve services for the many. We have produced a new [corporate strategy](#) for 2018-21 which commits us to more comprehensively publish information about the outcomes of our investigations and the occasions our recommendations result in improvements to local services.

We will be providing this broader range of data for the first time in next year's letters, as well as creating an interactive map of local authority performance on our website. We believe this will lead to improved transparency of our work, as well as providing increased recognition to the improvements councils have agreed to make following our interventions. We will be seeking views from councils on the future format of our annual letters early next year.

Supporting local scrutiny

One of the purposes of our annual letters to councils is to help ensure learning from complaints informs scrutiny at the local level. Sharing the learning from our investigations and supporting the democratic scrutiny of public services continues to be one of our key priorities. We have created a dedicated section of our website which contains a host of information to help scrutiny committees and councillors to hold their authority to account – complaints data, decision statements, public interest reports, focus reports and scrutiny questions. This can be found at www.lgo.org.uk/scrutiny. I would be grateful if you could encourage your elected members and scrutiny committees to make use of these resources.

Learning from complaints to improve services

We share the issues we see in our investigations to help councils learn from the issues others have experienced and avoid making the same mistakes. We do this through the [reports](#) and other resources we publish. Over the last year, we have seen examples of councils adopting a positive attitude towards complaints and working constructively with us to remedy injustices and take on board the learning from our cases. In one great example, a county council has seized the opportunity to entirely redesign how its occupational therapists work with all of its districts, to improve partnership working and increase transparency for the public. This originated from a single complaint. This is the sort of culture we all benefit from – one that takes the learning from complaints and uses it to improve services.

Complaint handling training

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. In 2017-18 we delivered 58 courses, training more than 800 people. We also set up a network of council link officers to promote and share best practice in complaint handling, and hosted a series of seminars for that group. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Local Authority Report: London Borough of Islington
For the Period Ending: 31/03/2018

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
17	12	14	19	5	11	38	8	2	126

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Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
8	12	53	25	5	11	69%	114

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
10	1

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

Report of: Director of Law and Governance and Monitoring Officer

Meeting of:	Date:	Ward(s):
Audit	31 January 2019	All

Delete as appropriate		Non-exempt



SUBJECT: Update on Ombudsman's decisions July 2018 to December 2018

1. Synopsis

- 1.1 This report updates the Committee on the number, nature and findings of complaints made to the Local Government and Social Care Ombudsman (LGSCO) during the period from 1st July to 31st December 2018.

2. Recommendations

- 2.1 To note the contents of the report.

3. Background

- 3.1 The Commission for Local Administration in England, commonly known as the Local Government Ombudsman, was set up following the Local Government Act 1974. In June 2017 the Local Government Ombudsman's title was changed to the Local Government and Social Care Ombudsman (LGSCO) to reflect its wider remit
- 3.2 The main statutory functions for the LGSCO are found in the Local Government Act 1974 as amended by the Local Government and Public Involvement in Health Act 2007. Their powers include:
- investigating complaints against councils and some other authorities;
 - investigating complaints about adult social care providers from people who arrange or fund their adult social care (Health Act 2009);
 - providing advice and guidance on good administrative practice; and

d) looking at service failure in addition to maladministration (LGPIHA 2007).

- 3.3 All investigated complaints result in a decision. The LGSCO issues these decisions, either by way of a statement of reasons for the decision or a report. If the LGSCO decides that the council has done something wrong and that this fault (be that maladministration, service failure, or failure to provide a service) has caused an injustice to the complainant, the LGSCO will recommend what the council should do to put this right.
- 3.4 Additionally, where a complaint of fault is upheld and a formal report (or public interest report) is to be issued; this must be considered by the Executive (for executive functions) or Full Council or its appropriate committee (for non-executive functions).
- 3.5 In the case of complaints about the council, the outcomes of these complaints are reported to Members by way of this committee. The most recent report come before this committee on the 23rd January 2018

Complaints against the Council

- 3.6 During the 1st July 2018 to 31st December 2018, 5 complaints about the Council to the LGSCO were upheld. There were no 'not upheld' complaints. The number of complaints that were closed after initial enquiries and accordingly did not reach investigation stage, is not yet available from the LGSCO.

Table one at Appendix One provides a brief summary of the complaints that were upheld.

Full copies of the decisions in Table one can be found on the LGSCO's website:

<https://www.lgo.org.uk/Decisions>.

- 3.7 Since 1st July 2018, the council has not received any decision which has resulted in a formal (Public Interest) report of maladministration.
- 3.8 In April 2013, the Housing Ombudsman took over responsibility for all new complaints about social housing. This includes complaints about a local authority's (or arms-length management organisation's) relationship as landlord to its tenants or leaseholders.
- 3.9 The Housing Ombudsman's jurisdiction occasionally overlaps with that of the LGSCO Ombudsman. They are both able to conduct joint investigations and work under a Memorandum of Understanding. For the relevant period, one complaint has resulted in the Housing Ombudsman making a decision of maladministration. Table three provides a brief summary of this complaint and can be found at Appendix One.
- 3.10 In order to ensure that the council continually improves its performance and that lessons are learned from the Ombudsman's decisions, all reports are shared with the service area and relevant officers.

Local Government Ombudsman's Report 2017/18

- 3.11 In August 2018, the Local Government Ombudsman published comparative data for each local authority on the number of complaints received, upheld and not upheld for 2017/18. Appendix 2 to this report shows the comparative information for each London local authority.
- 3.12 Islington was below the London average for the number of complaints referred to the ombudsman and the number that were upheld and not upheld. The number upheld against Islington was significantly below the number upheld for our neighbouring councils.

4. Implications

4.1 Financial implications:

There are no financial implications arising directly from this report.

However, s 92 of the Local Government Act 2000 provides that the authority may, if they think appropriate, make a payment to, or provide some other benefit for, a person where:

(a) that action taken by or on behalf of the authority in the exercise of their functions amounts to, or may amount to, maladministration, and

(b) that a person has been, or may have been, adversely affected by that action,

During the period from 1st July 2018 to 31st December 2018, £4,330 was payable to complainants for maladministration arising out of Ombudsman decisions. Payments are met from within existing budgets.

4.2 Legal Implications:

In accordance with s 5A(2) of the Local Government and Housing Act 1989 the Monitoring Officer is under an obligation to prepare a report to the Executive where it appears that the authority, or any part of it, has acted or is likely to act in such a manner as to constitute maladministration, or service failure, and where the LGSCO has conducted an investigation into the matter. This obligation applies to all LGSCO decisions.

In preparing that report, the Monitoring Officer is under a duty to consult as far as practicable with the Head of Paid Service and the Chief Finance Officer (s 5A(5)(a)). As soon as practicable after the report has been prepared, the Monitoring Officer's report must be sent to each member of the authority (s 5A(5)(b)).

Under s 5A(6) it is the duty of the authority's Executive to consider the Monitoring Officer's report within 21 days. Under s 5A(8), as soon as practicable after the Executive has concluded its consideration of the report, the Executive must prepare a report which specifies: (a) what action (if any) the Executive has taken in response to the report of the Monitoring Officer; (b) what action (if any) the executive proposes to take in response to that report and when it proposes to take that action; and (c) the reasons for taking the action specified in the Executive's report or, as the case may be, for taking no action. The Executive must also arrange for a copy of that report to be sent to each member of the authority and the authority's Monitoring Officer (s 5A(9)).

However, the LGSCO in their letter to this authority dated the 20th July 2017 stated:

"..... I do not seek to impose a prescriptive approach, as long as the Parliamentary intent is fulfilled in some meaningful way and the authority's performance in relation to Ombudsman investigations is properly communicated to elected members.

As a general guide I would suggest:

Where my office has made 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 my investigations, I feel that the duty is satisfactorily discharged if the Monitoring Officer makes a periodic report to the council summarising the findings on all upheld complaints over a specific period....."

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.

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

5. Reason for recommendations

- 5.1 This report ensures that the statutory requirements of the Local Government Act 1974, and Local Government Housing Act 1989 are met.

Appendices

Appendix One: Table one and two: LGSCO complaints received during 1st July 2018 to 31st December 2018.

Table three: Housing Ombudsman complaints received during 1st July 2018 to 31st December 2018.

Appendix Two: Complaints / enquiries received by Local Government Ombudsman in 2017/18 in respect of London local authorities

Background papers:

None

Final report clearance:

Signed by:



Monitoring Officer (Director of Law and Governance)

Date 17 January 2019

Report Author: David Daniels
Tel:
020 7527 3277
Email:
david.daniels@is
lington.gov.uk

Financial Implications Author:
Stephen Key
Tel: 020 7527 5636
Email:
Stephen.key@islington.gov.uk

Legal Implications Author:
David Daniels
Tel:
020 7527 3277
Email:
david.daniels@islington.gov.uk

Appendix One:

Table One - Complaints received by the Local Government and Social Care Ombudsman 1 July to 31 December 2018

No	LGSCO Case no (ID)	Date	Nature of Complaint	Brief Description	Type of Decision	Outcome
1	17009564	22.08.18	Children Services/Assessment	Mr F complained that the Councils Children and Families Assessment report was one-sided and flawed and did not present an impartial evaluation of the evidence. The Ombudsman concluded that the report was one-sided and caused distress as Mr F had to pursue a complaint in order for the Council to acknowledge its mistakes and correct its records. The Council offered £800 by way of compensation.	Statement	Upheld Financial Award: The LGSCO considered the award of £800 to be a satisfactory response.
2	18000775	23.10.18	Parking /Penalty Charge Notice	Mr B complained that the Council wrongly issued parking penalty notices to visitors to his home. The Ombudsman concluded that the notices should not have been issued as valid visitor parking permits were displayed. The Council then continued to issue penalty charge notices in the same circumstances after the issue was brought to its attention.	Statement	Upheld Financial Award: £75 to each recipient of the penalty charge notice. £150 to the complainant.
3	18006095	26.10.18	Finance/ Housing Benefit	Mr X complained that the Council wrongly removed his housing benefit which resulted in him becoming homeless. The Ombudsman found that the Council was at fault for ending the housing benefit too soon. The Council's actions did not result in Mr X losing his home.	Statement	Upheld Financial Award: £200 in recognition of time and trouble.

4	17017665	17.12.18	Leaseholder	Mr Y complained that the Council unreasonably withheld consent for alterations to his leasehold property because it insisted on the agreement of a neighbouring leaseholder. The Ombudsman has found there was delay in the Council's issuing the licence and offered an additional payment to ensure the remedy offered by the Council is in line with Ombudsman guidelines.	Statement	Upheld Financial Award: £400 for delay. £100 in recognition of time and trouble.
5	18 004 176	19.12.18	Adults/ Direct Payments	Mr H complained that the Council stopped paying him direct payments to pay for a second room for a carer and then delayed reconsidering this decision when he asked it to. The Ombudsman found that the Council was at fault as it did not consider its decision to stop paying for the second room and it did not identify how it else it would discharge its duty to meet eligible night time needs. The Council then took too long to reconsider its decision during which time Mr X paid rent himself for a second room to enable a carer to stay overnight.	Statement	Upheld Financial Award: Refund £2,280 five and a half months rent paid for the extra room.

Table two – ‘closed’ complaints received by the Local Government and Social Care Ombudsman during 1st July 2018- 31st December 2018

This information is not yet available from the LGSCO

Table three – complaints received by the Housing Ombudsman during 1 July 2018 -31 December 2018

No	Housing Ombudsman Case no (ID)	Date	Nature of Complaint	Brief Description	Type of Decision	Outcome
1	201615415	11.07.18	Housing/repairs	H complained about the time taken by the Council (PFI) to respond to repairs to the bedroom in a reasonable time and insufficient compensation was offered for its failings. The Ombudsman found that the extent of the works were not fully identified until several months after the defects were reported and then there were delays in carrying out the repairs.	Statement	Maladministration Financial award: £400 delays/poor communication and failure to escalate the complaint.

APPENDIX 2

Complaints / enquiries received by Local Government Omdusman 2017/18 -Comparative Informatio

Authority	Complaints and Enquiries Received 2017/2018	Upheld	Not Upheld	Percentage Upheld
Barking	122	12	3	80%
Barnet	169	19	13	59%
Bexley	84	13	6	68%
Brent	168	21	12	64%
Bromley	165	30	24	56%
Camden	137	17	8	68%
City of London	7	0	0	0%
Croydon	226	33	18	65%
Ealing	199	18	20	47%
Enfield	151	16	12	57%
Greenwich	121	22	5	82%
Hackney	125	20	7	74%
Hammersmith	92	14	4	78%
Haringey	184	24	18	56%
Harrow	114	21	6	78%
Havering	94	10	13	44%
Hillingdon	130	20	11	65%
Hounslow	132	10	6	63%
Islington	126	11	5	65%
Kensington	85	7	10	41%
Kingston	86	11	7	55%
Lambeth	193	30	16	65%
Lewisham	146	16	8	67%
Merton	93	12	7	63%
Newnham	227	35	16	65%
Redbridge	141	36	21	63%
Richmond	54	6	5	55%
Southwark	164	27	10	73%
Sutton	92	13	4	77%
Tower Hamlets	106	17	12	59%
Waltham Forest	148	24	14	63%
Wandsworth	100	12	6	67%
Westminster	133	20	15	57%
Total	4314	597	342	
Average	131	18.1	10.4	63.60%

n for London



Report of: Corporate Director of Resources

Meeting of:	Date:	Ward(s):
Audit Committee	31 st January 2019	All

		Non-exempt
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SUBJECT: INTERNAL AUDIT INTERIM REPORT 2018-19

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 Audit 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, updating on the performance of the audit function, highlighting service areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

2. Recommendations

- 2.1 Committee is asked to note the contents of the 2018-19 Internal Audit interim report.

3. Background

- 3.1 The 2018-19 Internal Audit Plan was approved by the Audit Committee in March 2018. This report details the outcomes of delivery of the 2018-19 audit plan to date in appendices 1-2, and outcomes of follow up audits in appendix 3. The report also identifies and gives more detail on those areas where the overall assurance statements were less than 'moderate'.

- 3.2 Internal audit projects result in a statement of assurance of either 'substantial', 'moderate', 'limited' or 'no' assurance. These conclusions are based on the number of critical and high priority risks identified in the report. Audit Committee receives details of high priority issues raised in audit reviews which result in 'limited' or 'no' assurance statements.
- 3.3 These statements are indicators of the assurance we can give at the time of the audit and may reflect control design or compliance issues. We are pleased to report a positive response to all final audit reports and there is clear evidence of prompt implementation in relevant cases. Where implementation of recommendations is protracted, Internal Audit provides support to auditees in-year.
- 3.4 Summary details of high priority recommendations are included in appendix 2. Internal Audit has received appropriate management responses to the recommendations made to address these risks.
- 3.5 Committee is advised that there are no matters to report with regard to recommendations that have not been implemented within agreed timescales. Follow up audits on all recommendations arising from our work in 2018-19 will be conducted in 2019-20.

4. Implications

4.1 Financial implications:

There are no specific financial implications associated with this report. The financial implications of individual audit and investigation reports are discussed with managers through the audit reporting protocols.

4.2 Legal Implications:

There are no specific legal implications associated with this report.

4.3 Environmental Implications

There are no environmental implications.

4.4 Resident Impact Assessment:

Please retain this standard paragraph and add relevant text about specific impacts and mitigation below:

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

A Resident Impact Assessment has not been completed because the recommendation being made does not have a direct impact on residents.

5. Reason for recommendations


- 5.1 This report indicates the level of work being undertaken by Internal Audit in order to provide assurance over the Council's control environment. Committee is asked to note the contents of the report.

Appendices

- Appendix 1 provides an update on outcomes of delivery of the 2018-19 audit plan;
- Appendix 2 summarises high priority findings from audit reviews that have attracted a 'limited' or 'no' assurance rating;
- Appendix 3 details the results of the follow up of audit recommendations made previously.

Final report clearance:

Signed by:



Date: 11 January 2019

Service Director - Financial and Asset
Management (S151 officer)

Report Author:	Nasreen Khan, Head of Internal Audit, Investigations and Risk Management
Tel:	020 7974 2211
Email:	Nasreen.Khan@islington.gov.uk
Financial Implications Author:	Mohammed Sajid, Chief Accountant
Tel:	020 7527 2574
Email:	Mohammed.Sajid@islington.gov.uk
Legal Implications Author:	Peter Fehler, Acting Director of Law and Governance
Tel:	020 7527 3126
Email:	Peter.Fehler@islington.gov.uk

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APPENDIX 1 – 2018-19 INTERNAL AUDIT ANNUAL REPORT

Internal Audit Interim Report Audit Committee 31st January 2019

Introduction: This Appendix gives summary details of the 2018-19 audit plan that was agreed by Audit Committee in March 2018. It shows the indicative scope as well as the completion status of each individual project. It also provides a summary of the plan completion stats. It is included to provide Members with assurance that the audit plan – which is the key vehicle for providing the Committee with independent assurance – is being effectively delivered.

* Denotes a principal risk

1.1 CORPORATE / CROSS-CUTTING

Number	Audit title	Indicative scope	Days	Status – December 2018
CC18-1	Landlord Duty of Care *	Review of the Council's arrangements for ensuring compliance with Health & Safety requirements across its property portfolio.	15	Review in progress. Fieldwork due to be completed in Q4.
CC18-2	Brexit Preparedness *	Review of the Council's plans and arrangements to prepare and respond to potential risks faced following Brexit. The review will consider the effectiveness of the identification and assessment of risks within/to the following areas: <ul style="list-style-type: none">• Financial Management / Funding / Investments;• Local economy, partners and suppliers;• Governance arrangements, including strategies, policies and procedures;	15	Review in progress. Fieldwork due to be completed in Q4.

Number	Audit title	Indicative scope	Days	Status – December 2018
		<ul style="list-style-type: none"> Talent acquisition and retention; Service delivery/demand; and Legal implications.		
CC18-3	Outcomes Based Budgeting - programme review *	Continued rolling assurance of programme governance arrangements. To include a deep-dive into two/three work streams.	20	Review in progress. Resources being utilised on programme assurance surrounding the design of controls surrounding the Programme Management Office.
CC18-4	Using Data Better Initiative	Review of the governance arrangements in place surrounding the cross-cutting <i>Using Data Better</i> initiative.	10	Review not commenced. This review is not progressing due to the cessation of the shared digital initiative. Resource will be utilise on other areas based on an IT risk assessment, to be agreed with the Chief Information Officer.
CC18-5	Information Governance *	Cross-cutting review of the Council's information governance arrangements, including compliance with GDPR. To focus on high risk areas.	15	Review in progress. Review is primarily focussing on Record Management controls within high-risk areas, including Children's Services.
CC18-6	Shared Digital Transformation –	Risk based review surrounding the Shared Digital governance arrangements. Review to include the delivery of the CMB prioritised programme.	15	Review not commenced. This review is not progressing due to the cessation of the shared digital initiative. Resource will be utilise on other areas based on an IT risk assessment, to be agreed with the Chief Information Officer.

1.2 RESOURCES

Number	Audit title	Indicative scope	Days	Status – December 2018
FR18-1	ERP – Programme Assurance	To provide assurance surrounding the ERP programme. To include a review of the programme's governance arrangements.	15	Review in progress. Resources are being utilised on Payroll key controls review as ERP implementation not proceeding.
FR18-2	ERP – Control Design	To provide risk and control advice surrounding the development and implementation of the new ERP system.	25	Review did not proceed due to lack of implementation of ERP. Resources subsumed by staff vacancy.
FR18-3	Continuous Audit Monitoring (CAM) *	Review of 5 key financial systems in line with the rolling CAM plan.	50	Review in progress. Fieldwork due to be completed in Q4.
FR18-4	Procurement	Risk-based review of the end-to-end procurement process.	15	Review in progress. Fieldwork due to be completed in Q4.
FR18-5	Capital Expenditure*	Risk based review of the effectiveness of key controls in place surrounding the Council's capital programme.	15	Review in progress. At draft report stage – awaiting exit meeting.
FR18-6	Shared Digital*	As per Shared Digital plan – to be confirmed on completion of 2017/18 work.	30	Review not commenced. This review is not progressing due to the cessation of the shared digital initiative. Resource will be utilise on other areas based on an IT risk assessment, to be agreed with the Chief Information Officer.

Number	Audit title	Indicative scope	Days	Status – December 2018
FR18-7	IT application review	Key controls testing, including a deep-dive into one IT application. Focus on key controls and risks related to availability, integrity, confidentiality and accountability.	15	Review not commenced. Resource to be utilised on high-risk IT application. To be agreed with the Chief Information Officer.

1.3 CHILDREN'S SERVICES

Ref	Audit title	Indicative scope	Days	Status – December 2018
CS18-1	Placement Commissioning year olds* 16-17	Deferred from 2017/18. Cross-cutting review with Adult Social Care. To review the Council's commissioning processes for Looked After Children and Children in Need to ensure that best value is obtained and care quality is monitored in line with Children's Services Joint Commissioning Policy. To also include a review of the effectiveness of assessment/placement processes, budget monitoring and/or contract management.	15	Terms of Reference agreed – fieldwork to commence in March 2019 (at client's request).
CS18-2	Transition from Child to Adult*	Deferred from 2017/18. Cross-cutting review with Adult Social Care. Risk based review of the governance arrangements in place for managing the transition from children's to adult's social care.	15	Review in progress. Fieldwork due to be completed in Q4.
CS18-3	Schools' Monitoring*	Risk based review of the schools' finance team to review the Council's ongoing financial monitoring arrangements in respect of schools.	15	Review in progress. Fieldwork due to be completed in Q4.
CS18-5	Children's Centres / Early Years*	Risk based review of the arrangements in place for the effective financial management and monitoring of Children's Centres. To also consider the arrangements in place to manage risks relating to a reduction in funding and/or service demand.	10	Review not commenced. Resources re-allocated to Westbourne Nursery follow-up review – due to commence in Q4.
CS18-6	Schools – establishment reviews	Risk based review of seven schools.	35	Reviews in progress.

Ref	Audit title	Indicative scope	Days	Status – December 2018
				A list of seven school audits have been agreed with Children's Services. Fieldwork due to be completed in Q4.
CS18-6-1	St Aloysius RC College	Risk based review of St Aloysius RC College.	25	Review in progress. At draft report stage, awaiting finalisation of management responses.
CS18-7	Stronger Families	Audit review and sign-off of grant claim.	20	Review in progress. The Council has been granted Earned Autonomy by MHCLG, which means that Islington has moved away from the payment by results arrangement in 2018/19, allowing the Council to use more up-front investment to embed better ways of working. The details of the arrangement are agreed through an individual memorandum of understanding between MHCLG and the Council. There will be no more claims under the existing Payment by Results approach. A risk-based review of key controls is instead being undertaken, as agreed with management.

1.4 ENVIRONMENT AND REGENERATION

Ref	Audit title	Indicative scope	Days	Status – December 2018
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Ref	Audit title	Indicative scope	Days	Status – December 2018
ER18-1	Blue Badge*	Deferred from 2017/18. Risk based review surrounding the administration and issue of blue badges. To include a review of controls surrounding enforcement.	15	Review in progress. Terms of Reference agreed, awaiting fieldwork start (scheduled for January 2019).
ER18-2	Parking Services	Risk based review focussed on key controls. To include review of effectiveness of the governance arrangements surrounding compliance with legislative requirements.	15	Review in progress. Fieldwork due to be completed in Q4.
ER18-4	Use of Agency Staff (E&R)	Risk based review surrounding the use of agency staff in E&R. The review will also deep dive into a sample of variable payments (e.g. overtime).	25	Review completed. Resource utilised for E&R Overtime review (resulting in a <i>No Assurance</i> rating; high priority recommendations are detailed at Appendix 2).
ER18-5	Waste and recycling	Risk-based review surrounding the effectiveness of key controls in place surrounding for the provision of residential waste and recycling services.	15	Review in progress. Resource utilised for 'Green Space Income' review. Fieldwork commenced in Q3.

1.5 HOUSING AND ADULT SOCIAL SERVICES

Ref	Audit title	Indicative scope	Days	Status – December 2018
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Ref	Audit title	Indicative scope	Days	Status – December 2018
HASS18-1	Safeguarding Adults*	Deferred from 2017/18. Risk based review of the Council's arrangements for safeguarding adults, including governance, risk management, and the arrangements for ensuring statutory requirements are met.	15	Review in progress. Client requested that the review be combined with HASS18-2 to focus on extended Mental Health Safeguarding review.
HASS18-2	Mental Health Safeguarding Processes*	Risk based review of the arrangements and processes in place surrounding mental health safeguarding.	15	Review in progress. Extended review being undertaken (as per HASS18-1) covering governance and risk management arrangements, information management and safeguarding of data, strategy, making safeguarding personal; and deprivation of liberty safeguards.
HASS18-3	Rent Income & Recovery*	Risk based review of the effectiveness and efficiency of the Council's arrangements for rent collection and rent arrears following the introduction of Universal Credit.	15	Review in progress. Fieldwork commenced in Q3.
HASS18-4	Housing Voids	Risk based review to ensure that the following key objectives are being met: <ul style="list-style-type: none"> • Sound policies and procedures in place for the management of empty Council properties (voids) and these are adhered to by all staff; • Appropriate action is taken to minimise the time that Council properties are empty and classified as void. Relevant performance and 	15	Review in progress. Fieldwork commenced in Q3.

Ref	Audit title	Indicative scope	Days	Status – December 2018
		<p>financial information is produced and monitored in order to assist with this process;</p> <p>Repairs to void properties are restricted to those essential to meet the Council's re-let standard. All rechargeable repairs are fully and promptly charged to the outgoing tenant and appropriate action is taken to recover the sums due.</p>		
HASS18-5	TMOs and Tenancy Management*	Risk-based review of four TMOs within the borough.	20	<p>Four TMO reviews are in progress with status as follows:</p> <ol style="list-style-type: none"> 1. Quaker Court TMO - at draft report stage, awaiting management response. 2. Redbrick TMO - at draft report stage, awaiting management response. 3. Brooke Park Co-op – at draft report stage, awaiting exit meeting. 4. Gambier House TMO – scoping in progress. Scheduled for Q4.
HASS18-6	Voluntary Sector Organisation (VSO)	Risk-based review of VSO monitoring arrangements. To include a visit to one VSO.	15	<p>Review completed.</p> <p>A review of Hilldrop Area Community Association was undertaken (resulting in a <i>Limited Assurance</i> rating; high priority recommendations are detailed at Appendix 2).</p> <p>As part of a value adding service, Internal Audit will also deliver a training session to the Voluntary Sector Community team in January 2019 detailing risks, controls and</p>

Ref	Audit title	Indicative scope	Days	Status – December 2018
				fraud red-flags surrounding VSOs, with the aim of further enhancing the support the Council provides to VSOs.

1.6 PUBLIC HEALTH

Ref	Audit title	Indicative scope	Days	Status – December 2018
PH18-1	Public Health	Risk based review based on risk assessment conducted in-year.	15	Review in progress. Fieldwork due to commence in January 2019. Scope to primarily focus on governance arrangements surrounding the use of a shared IT application.

1.7 ADDITIONAL REVIEWS

Ref	Audit title	Indicative scope	Days	Status – December 2018
ADD18-1	Prior Weston Primary School (CS)	Risk based audit of income collection and banking procedures.	20	Review completed – management letter issued.
ADD18-2	Bunhill 2	Risk based audit examining the control framework for Bunhill 2 project.	25	Review in progress. At draft report stage – awaiting finalisation of management responses.
ADD18-4	E&R BSOG Grant	A grant claim review to confirm appropriate supporting documentation is in place.	3	Review completed – management letter issued.

Supplementary table – Audit Plan completion statistics

Audit status – December 2018	Number of reviews	% of the audit plan
Audit completed	4	9%
Audit in progress	33	77%
Audit not commenced	6	12%
Audit not proceeding (ERP, see FR18-2 above)	1	2%
Total number of reviews included on the audit plan	44	100%

APPENDIX 2 – High Priority Recommendations

2018-19 Internal Audit Interim Report Audit Committee – 31st January 2019

Introduction

This appendix summarises high priority recommendations arising in 2018-19 from audit reviews that attracted a ‘no’ or ‘limited’ assurance rating since our last update to Committee in October 2018. It provides Members with an overview of recommendations made in areas where control weaknesses have been identified that have constituted high risk to specific service objectives.

Satisfactory management responses to audit recommendations have been obtained. Follow up reviews will be conducted to assess the level of implementation of audit recommendations.

Reference	Audit Title
ER18-4	E&R Overtime (E&R)
Seven high priority recommendations were raised relating to: <ol style="list-style-type: none">1. Employee database system,2. Budgetary control,3. Attendance records,4. Pre and post authorisation of overtime,5. Overtime and salary enhancements,6. Drugs and alcohol policy,7. Agency staff arrangements.	

Reference	Audit Title
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HASS18-6	VSO - Hilldrop Area Community Association
<p>Two high priority recommendations were raised relating to:</p> <ul style="list-style-type: none"> • Insurance cover, • Income recording and debt management. 	

APPENDIX ENDS

APPENDIX 3 – FOLLOW UP OUTCOMES

2018-19 Internal Audit Interim Report Audit Committee – 31st January 2019

Introduction This appendix gives details of the results of follow up of recommendations. It provides Members with an indication of the level of implementation of audit recommendations by management. This demonstrates how well the initial audit delivered a value adding output as well as how successful management have been in mitigating the identified risk exposure.

1.1 CORPORATE / CROSS CUTTING

Number	Audit title	Indicative scope	Audit status and assurance rating 2017-18	2018-19 Follow Up Outcomes
FWU18_2	IR35	Review of the impact of the new IR35 regulation. To include tax and service delivery risks to the Council.	Completed. Limited assurance.	Follow up in progress. Anticipated completion date - January 2019.
FWU18_3	Income Generation	Cross Council review of Income Generation strategies.	Completed. Management letter issued.	N/A – no recommendations were raised in the original review.
FWU18_4	Contract Management	To assess organisational oversight of third party delivery.	Completed. Limited assurance.	Follow up scheduled for Q1 2019-20
FWU18_6	General Data Protection Regulation	Ongoing monitoring of council's preparation for the implementation of GDPR	Completed. Management letter issued.	Follow up scheduled for Q1 2019-20

Number	Audit title	Indicative scope	Audit status and assurance rating 2017-18	2018-19 Follow Up Outcomes
FWU18_33	Gift & Hospitality and Declarations of Interest	Review the control processes in place to maintain and monitor the receipt of gifts and hospitality and declarations of interest for officers and members	Completed. Separate reports were issued for Employees and Members. Employees: Limited assurance. Members: A separate management letter was issued.	Follow up scheduled for Q1 2019-20

1.2 RESOURCES

Ref	Audit title	Indicative scope	Audit status and assurance rating 2017-18	Follow Up Outcomes
FWU18_8	Purchase cards	Review of key controls in place surrounding Purchase cards and the arrangements for monitoring transactions.	Completed. Limited assurance.	Follow up scheduled for Q1 2019-20
FWU18_9	Continuous Auditing/Key Financial Systems	Key controls review focussed on five key financial systems; Council Tax and NNDR, Parking, Treasury	Completed. Limited assurance for two systems.	Follow up to be undertaken as part of 2018-19 CAM work. Scheduled for early Q4.

Ref	Audit title	Indicative scope	Audit status and assurance rating 2017-18	Follow Up Outcomes
		Management, Cash Management, and Accounts Payable.		

1.3 CHILDREN'S SERVICES

Ref	Audit title	Indicative scope	Audit status and assurance rating 2017-18	Follow Up Outcomes
FWU18_11	SEN Transport	Cross cutting review with E&R, to review the impact of increasing costs and demographic issues on service delivery as well as arrangements for ensuring ongoing viability.	Completed. Management letter issued.	Follow up scheduled for Q1 2019-20
CS17_4	Foster Care Payments	Extended follow up of 2016/17 audit; to include adoption and guardianship payments.	Completed. Limited assurance rating.	Initial follow-up undertaken which revealed some progress towards implementing the recommendations. Further follow up scheduled for Q1 2019-20.
FWU18_16	Arts and Media School Islington	Internal audits of schools on a cyclical basis.	Completed. No assurance.	Follow up in progress. Anticipated completion date January 2019.
FWU18_15	Hargrave Park Primary School	Internal audits of schools on a cyclical basis.	Completed. Limited assurance.	Follow up in progress. Anticipated completion date January 2019.

Ref	Audit title	Indicative scope	Audit status and assurance rating 2017-18	Follow Up Outcomes
FWU18_17	Drayton Park Primary School	Internal audits of schools on a cyclical basis.	Completed. Moderate assurance.	Follow up scheduled for Q1 2019-20
FU18_14	St Jude and St Paul's Primary School	Internal audits of schools on a cyclical basis.	Completed. Limited assurance.	Follow up scheduled for Q1 2019-20

1.4 ENVIRONMENT AND REGENERATION

Ref	Audit title	Indicative scope	Audit status and assurance rating 2017-18	Follow Up Outcomes
FU18_21	Cottage Road Depot	To review procurement and contract management processes to ensure practices are in line with Council policies. To include an assessment of the oversight of practices.	Completed. Limited assurance.	Follow up in progress. Anticipated completion date January 2019.

1.5 HOUSING AND ADULTS SOCIAL SERVICES

Ref	Audit title	Audit Indicative Scope	Audit status and assurance rating 2017-18	Follow Up Outcomes
FWU18_24	VCS Organisation – One True Voice	Review of activities undertaken by Third Sector Organisation in the borough.	Completed. Management letter issued.	Follow-up not required. Control/risk advice provided to the voluntary sector organisation via management letter.
FWU18_26	Hornsey Lane TMO	Key controls review.	Completed. assurance. No	Follow up scheduled for Q4 2018-19.
FWU18_29	Stafford Cripps TMO	Key controls review.	Completed. assurance. Limited	Follow up scheduled for Q4 2018-19.
FWU18_27	Charteris TMO	Key controls review.	Completed. assurance. No	Completed. A good level of implementation of recommendations was noted.
FWU18_28	Half Moon TMO	Key controls review.	In draft report stage, awaiting finalisation of management responses.	Follow up scheduled for Q1 2019-20

APPENDIX ENDS

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Resources
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Finance and Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	31 January 2019		All

1. Synopsis

- 1.1 Grant Thornton, the Council's new external auditor, is presenting its regular 'Audit Progress Report and Sector Update' to the Audit Committee for noting.

2. Recommendations

- 2.1 To note the Audit Progress Report and Sector Update.

3. Background

- 3.1 The Audit Progress Report from Grant Thornton, the councils external auditor, provides a report on progress in delivering its responsibilities as the Council's external auditor. It also summarises emerging national issues and developments that may be relevant to the Council.

4. Implications

- 4.1 Financial Implications: none that are in additional to the Audit Progress Report
- 4.2 Legal Implications: none
- 4.3 Environmental Implications: none.
- 4.4 Resident Impact Assessment: There are no direct resident impact implications.

5. Conclusion and reasons for recommendations:

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

Appendices:

Audit Progress Report and Sector Update January 2019

Background papers: (available online or on request):

None

Final Report Clearance:

Signed by:

Corporate Director of Finance and Resources

Date January
2019

Received by:

Head of Democratic Services

Date

Report Author: Mohammed Sajid, Deputy s151 Officer
Tel: 020 7527 2574
E-mail: mohammed.sajid@islington.gov.uk

Audit Progress Report and Sector Update

London Borough of Islington and London Borough of Islington Pension Fund
Year ending 31 March 2019

14 January 2019



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Introduction



Paul Grady

Engagement Lead

T 020 7728 2439
E paul.d.grady@uk.gt.com



Ade Oyerinde

Engagement Manager

T 020 7728 3332
M 07880 456 192
E ade.o.oyerinde@uk.gt.com



Marc Chang

In-charge Accountant

T 020 7728 3066
E marc.chang@uk.gt.com

This paper provides the Audit Committee and Audit Committee Advisory with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit Committee and Audit Committee Advisory can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

We also take this opportunity to introduce you to your engagement team.

Progress at 14 January 2019

2018/19 Audit for the Authority and Pension Fund

This is our first progress report of the 2018/19 audit year and our first as your external auditor. We have started planning for the 2018/19 financial statements audit, building our knowledge of your financial processes, and have begun documenting your key financial systems for financial reporting.

Our interim audit testing has been started and we continue to progress this in January and February 2019. Our interim fieldwork visits are expected to include, for both the Authority and the Pension Fund:

- Testing of financial systems key controls;
- Documenting an understanding of the IT general controls;
- Review of Internal Audit reports on core financial systems;
- Early work on emerging accounting issues;
- Early substantive testing.

We expect to issue our joint Authority and Pension Fund Audit Plan summarising the outcome of our risk assessment, the audit response and materiality for your meeting in March 2019.

We will report any findings from the interim audits within the Plan at the March Audit Committee and Audit Committee Advisory meeting.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making;
- Sustainable resource deployment;
- Working with partners and other third parties.

We began our initial risk assessment to determine our approach in November 2018.

Our joint Authority and Pension Fund Audit Plan summarising the outcome of our VFM risk assessment will be presented at the March committee meeting.

We will report the results of our work in the Audit Findings Report and give our Value For Money conclusion.

Other areas

Meetings

Since our appointment, we have held several meetings with the Chief Executive and Director of Finance. We have also met regularly with members of the finance team as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council.

Finance staff have been invited to the our next financial reporting workshop, which is to be held in early spring. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Insights

We have shared periodic insights with the Council in between meetings, including insights on Brexit developments, Vibrant Economy, Transformation in local government and our Local Government Companies Insight report, and other sector matters.

Certification of claims and returns

We have also been approached to undertake the certification of the Council's Housing Benefit Subsidy claim, Teacher's Pensions claim and Pooling Capital Receipts return. We are in the process of agreeing the terms of engagements. The certification work will commence in August and be concluded by November 2019 deadline.

The results of the certification work will be reported to you separately in our certification letter.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Joint Audit Plan for the Authority and Pension Fund We are required to issue a detailed accounts audit plan to the Audit Committee and Audit Committee Advisory setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	March 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audits and our initial value for money risk assessment within our joint Audit Plan for the Authority and Pension Fund.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee and Audit Committee Advisory.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statements (Authority and Pension Fund), annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Whole of Government Accounts return and assurance statement This will be completed once you have provided your final WGA return and we have issued our opinion on the financial statements.	August 2019	Not yet due
Housing benefit and other certification claims Work on these will commence once you provide them for certification and review by us.	November 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work.	December 2019	Not yet due

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Public Sector

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee and audit committee advisory members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Public Sector Audit Appointments – Report on the results of auditors' work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors' work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

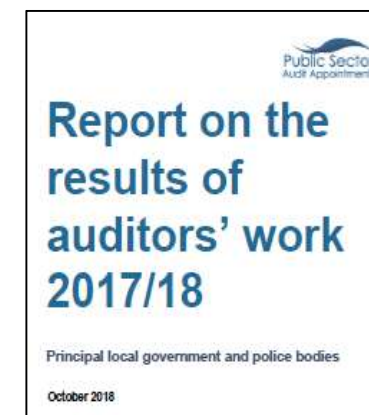
The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts.

The report is available on the PSAA website:

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>



CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.



ICEAW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICEAW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

- **Short-term solvency vs. Longer-term value:**
 - LG & NHS: Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

Page 92

In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies.

Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

Your organisation – including considerations on workforce, funding, and changes to legislation

Your services and suppliers – ensuring that critical services are protected and building resilience within supply chains

Your place – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

MHCLG – Social Housing Green

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:

<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>



Institute of Fiscal Studies: Impact of 'Fair Funding Review'

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government's 'Fair Funding Review' is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils' differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils' spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG's funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of 'spending needs' and 'needs indicators', and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils' revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

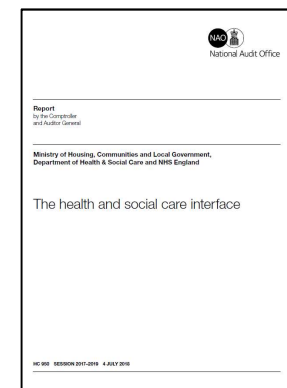
Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>



A Caring Society – bringing together innovative thinking, people and practice

The Adult Social Care sector is at a crossroads. We have yet to find a sustainable system of care that is truly fit for purpose and for people. Our Caring Society programme takes a step back and creates a space to think, explore new ideas and draw on the most powerful and fresh influences we can find, as well as accelerate the innovative social care work already taking place.

We are bringing together a community of influencers, academics, investors, private care providers, charities and social housing providers and individuals who are committed to shaping the future of adult social care.

At the heart of the community are adult social care directors and this programme aims to provide them with space to think about, and design, a care system that meets the needs of the 21st Century, taking into account ethics, technology, governance and funding.

We are doing this by:

- hosting a 'scoping sprint' to determine the specific themes we should focus on
- running three sprints focused on the themes affecting the future of care provision
- publishing a series of articles drawing on opinion, innovative best practices and research to stimulate fresh thinking.

Our aim is to reach a consensus, that transcends party politics, about what future care should be for the good of society and for the individual. This will be presented to directors of adult social care in Spring 2019, to decide how to take forward the resulting recommendations and policy changes.

Scoping Sprint

This took place in October. Following opening remarks by Hilary Cottam (social entrepreneur and author of *Radical Help*) and Cllr Georgia Gould (Leader of Camden Council), the subsequent discussion brought many perspectives but there was a strong agreement about the need to do things differently that would create and support a caring society. Grant Thornton will now take forward further discussions around three particular themes:

1. Ethics and philosophy: What is meant by care? Should the state love?
2. Care in a place: Where should the power lie? How are local power relationships different in a local place?
3. Promoting and upscaling effective programmes and innovation

Find out more and get involved

- To read the sprint write-ups and opinion pieces visit: grantthornton.co.uk/acaringsociety
- Join the conversation at #acaringsociety

Care Homes for the Elderly – Where are we now?

It is a pivotal moment for the UK care homes market. In the next few months the government is to reveal the contents of its much-vaunted plans for the long-term funding of care for older people.

Our latest Grant Thornton report draws together the most recent and relevant research, including our own sizeable market knowledge and expertise, to determine where the sector is now and understand where it is heading in the future. We have spoken to investors, providers and market consultants to showcase the diversity and innovation that care homes can offer.

Flourishing communities are not a 'nice to have' but an essential part of our purpose of shaping a vibrant economy. Growth simply cannot happen sustainably if business is disconnected from society. That is why social care needs a positive growth framing. Far from being a burden, the sector employs more people than the NHS, is a crucible for technological innovation, and is a vital connector in community life. We need to think about social care as an asset and invest and nurture it accordingly.

There are opportunities to further invest to create innovative solutions that deliver improved tailored care packages to meet the needs of our ageing population.

The report considers a number of aspects in the social care agenda

- market structure, sustainability, quality and evolution
- future funding changes and the political agenda
- the investment, capital and financing landscape
- new funds and methods of finance
- future outlook.

The decline in the number of public-sector focused care home beds is a trend that looks set to continue in the medium-term. However, it cannot continue indefinitely as Grant Thornton's research points to a significant rise in demand for elderly care beds over the coming decade and beyond.

A strategic approach will also be needed to recruit and retain the large number of workers needed to care for the ageing population in the future. Efforts have already begun through education programmes such as Skills for Care's 'Care Ambassadors' to promote social care as an attractive profession. But with the number of nurses falling across the NHS as well, the Government will need to address the current crisis.

But the most important conversation that needs to be had is with the public around what kind of care services they would like to have and, crucially, how much they would be prepared to pay for them. Most solutions for sustainable funding for social care point towards increased taxation, which will generate significant political and public debate. With Brexit dominating the political agenda, and the government holding a precarious position in Parliament, shorter-term funding interventions by government over the medium-term look more likely than a root-and-branch reform of the current system. The sector, however, needs to know what choices politicians, and society as a whole, are prepared to make in order to plan for the future.

Copies of our report can be requested on our website



In good company: Latest trends in local authority trading companies

Our recent report looks at trends in LATC's (Local Government Authority Trading Companies). These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

Outsourcing versus local authority trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of council services has gone.

Advantages of local authority trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the council
- Provides suitable opportunity to change the local authority terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the authority to move away from the constraints of the councils decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

Choosing the right company model

The most common company models adopted by councils are:

Wholly
owned

Joint
Ventures

Social
Enterprise

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the council.

LATC's need to adapt for the future

- LATC's must adapt to developments in the external environment
 - These include possible changes to the public procurement rules after Brexit and new local authority structures. Also responding to an increasingly crowded and competitive market where there could be more mergers and insolvencies.
- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on councils to find the most efficient ways of doing more with less in today's austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.



[Download the report here](#)

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

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Report of: Corporate Director of Resources

Meeting of:	Date:	Ward(s):
Audit Committee	31st January 2019	All

		Non-exempt
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SUBJECT: WHISTLEBLOWING POLICY

1. Synopsis

- 1.1 This report provides the policy for Whistleblowing which has been reviewed and updated to reflect changes in legislation as well as best practice.
- 1.2 This report is intended to support Audit Committee in obtaining assurance that the Council has a sound framework surrounding whistleblowing.

2. Recommendations

- 2.1 Committee is asked to agree the contents of the updated policy, including the reference to Modern Slavery at section 4 of Appendix 1.

3. Background

- 3.1 Whistleblowing arrangements are a key element of the Council's overall governance arrangements. Whistleblowing allows employees, members, contractors and others, to confidentially raise concerns surrounding fraud and corruption. A review of the Council's whistleblowing policy was last undertaken by the Council's Monitoring Officer in March 2014. The policy has now been reviewed and is included at Appendix 1. Changes to the policy since the last iteration have been highlighted in Appendix 1.

4. Implications

4.1 Financial implications:

There are no specific financial implications associated with this report. Each case e.g. whether to investigate or prosecute, will be determined on an individual basis and financial implications, if relevant, will be considered as part of this determination.

4.2 Legal Implications:

The original Public Interest Disclosure Act 1998 provisions, inserted in the Employment Rights Act 1996, were amended by the Enterprise and Regulatory Reform Act 2013 to introduce a new public interest requirement. The Council must have regard to the Government's Whistleblowing Guidance for Employers and Code of Practice.

4.3 Environmental Implications

There are no environmental implications.

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.

A Resident Impact Assessment has not been completed because the recommendation being sought does not have a direct impact on residents.

5. Reason for recommendations

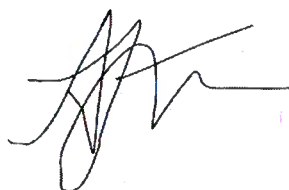
- 5.1 This report indicates that the Whistleblowing policy is in place and has been duly updated. Committee is asked to agree the report.

Appendices

- **Appendix 1 – Whistleblowing Policy**

Final report clearance:

Signed by:



Date: 22 January 2019

Service Director - Financial and Asset
Management (S151 officer)

Report Author:

Nasreen Khan, Head of Internal Audit, Investigations and Risk
Management

Tel:

020 7974 2211

Email:

Nasreen.Khan@islington.gov.uk

Financial Implications Author:
Tel:
Email:

Mohammed Sajid, Chief Accountant
020 7527 2574
Mohammed.Sajid@islington.gov.uk

Legal Implications Author:
Tel:
Email:

Peter Fehler, Acting Director of Law and Governance
020 7527 3126
Peter.Fehler@islington.gov.uk

Whistleblowing Policy and Procedure

1 BACKGROUND

1.1 Overall context

The council expects the highest standards of behaviour of all those who work for the council, councillors and its contractors.

The Whistleblowing Procedure is intended to encourage employees and others who are listed below to report inappropriate action by any of the above which would not normally be revealed due to fears of victimisation or retribution.

The procedure provides a framework for those with concerns to report such concerns and for them to be dealt with in an appropriate manner.

The procedure reassures employees that they will be protected from reprisals or victimisation for making reports of malpractice in the public interest which they reasonably believe to be true.

The council will ensure that its workers at all level are trained appropriately in relation to whistleblowing law and this procedure

1.2 Regulatory and legal context

This disclosure policy has been devised in accordance with the provisions of the Employment Rights Act 1996, Public Interest Disclosure Act 1998 and the Enterprise and Regulatory Reform Act 2013.

1.3 Scope of the procedure

This procedure and statutory whistleblowing protections apply to a report where it is the reasonable belief of the employee or other person making the report that it discloses past, present or likely future wrongdoing in any of the following categories:

- a criminal offence, including bribery or corruption,
- a failure to comply with a legal obligation,
- a miscarriage of justice,
- a danger to the health and safety of an individual,
- damage to the environment,
- a deliberate attempt to conceal to any of the above

in relation to the conduct of the council's business, including activities carried out by contractors on its behalf.

This procedure (but not the statutory protection) also applies to a report where it is the reasonable belief of the employee or other person making the report that it discloses past, present or likely future wrongdoing in any of the following categories:

- a failure to comply with the council's policies and procedures
- any conduct which may damage the council's reputation
- a deliberate attempt to conceal any of the above

in relation to the conduct of the council's business, including activities carried out by contractors on its behalf.

1.4 Matters outside the scope of the procedure

Statutory whistleblowing protections do **not** normally cover day to day issues relation to an employee's terms and conditions of employment or a complaint about another employee, these can usually be referred to their line manager, or if necessary be pursued using the council's Grievance Procedure.

Note: Employees generally do not receive statutory protection as a whistleblower when they complain merely about breaches of their own employment contract. A protected whistleblowing disclosure should have a public interest aspect to it. A grievance by contrast has no public interest factors, as it is a complaint about a particular employment situation. A grievance should be reported using the council's Grievance Procedure, not the Whistleblowing Procedure. If employees are unsure about whether or not their concern raises a public interest matter, they may find it useful to seek further guidance from the sources of advice provided below.

There are other matters that may attract statutory whistleblowing protection, but nonetheless should be reported using other council procedures:

- Matters that would normally be dealt with by the council's collective bargaining arrangements with its recognised trade unions.
- Matters relating to child abuse which should be reported to the Referral and Advice Team: telephone **020 527 7400** or Email: csctreferrals@islington.gov.uk Further information is available on the Islington Council website: <https://www.islington.gov.uk/children-and-families/worried-about-a-child>
- Matters relating to the protection of vulnerable adults should be referred to the Access Team: telephone **020 7527 2299** or send an email to them at access.service@islington.gov.uk. Further information is available on the Islington Council website: <https://www.islington.gov.uk/social-care-health/adult-abuse-or-neglect> You can also make a referral at: dolsoffice@islington.gov.uk or in an emergency telephone **0207 527 3828**
- For referral outside office hours in relation of child abuse or the protection of vulnerable adults contact the Emergency Duty Team on **020 7226 0992**.
- Allegations which you would normally make to Internal Audit concerning fraud or financial irregularity which should continue to be made direct to Internal Audit by calling **0207 527 4873** or E Mail at: internal.audit@islington.gov.uk
- Matters relating to modern slavery should be raised as under paragraph 4 below

- Complaints from the public that relate to standard of service delivered by the council or its contractors which should be reported through the council's Complaints procedure see: <http://izzi/me/staff-essentials/communications-customer-service/dealing-customers/3complaints/2complaints/Pages/procedure.aspx>

1.5 Who is covered by the procedure?

All employees, contractors (and their staff), partner agencies (including the Health Authority and voluntary sector groups), casual and agency workers, consultants, trainees and self-employed people providing work for the council may make reports under this procedure outlining any concerns.

2 MAKING A WHISTLEBLOWING REPORT – Step 1

2.1 Reporting a concern within the management structure of your own Service Area

In the first instance you should normally report any concerns to your line manager or their manager, preferably in writing. However, if you feel the matter is extremely serious or sensitive or involves your line manager or their manager, you may report the matter to the relevant Corporate Director.

Before raising your concern, you may wish to take advice on the matter from any of those listed in paragraph 5.7 of this procedure or discuss your concerns with a colleague first. It is advisable that you report your concern as early as possible. A significant delay in reporting the matter may make the subsequent investigation difficult to pursue.

In raising your concern in writing, you should give as much detail as possible, i.e. the background and history, giving names and relevant dates and the reasons why you are particularly concerned about the situation.

If you feel hesitant about putting your concern in writing at this stage you should telephone the manager to whom you wish to make the report and arrange to meet them. Do bear in mind you may be asked to put the details in writing later.

Managers receiving a report under this section must notify the whistleblowing officer of the referral within 24 hours.

Any evidence you provide may be useful. However, you do not need to provide evidence in order to make a report under this procedure.

2.2 Reporting a concern to the council's Whistleblowing Officer

The Council's Whistleblowing Officer is the Head of Internal Audit, Investigations and Risk Management (Tel: 020 7974 2211)

You may also contact the Whistleblowing Officer via email at: internal.audit@islington.gov.uk. This mailbox is restricted and only accessed by authorised managers in Internal Audit.

You may make a written report to the council's Whistleblowing Officer if you:

- Have previously raised an issue to management within your department and feel that it has not been dealt with properly or the matter involves your Corporate Director, or
- Fear that you will be victimised if the matter is raised within your management structure, or
- Fear that relevant information may be concealed or destroyed if the matter is raised within your management structure.

If the matter you wish to raise involves the Whistleblowing Officer, you may make your report to the Chief Executive.

3 INVESTIGATION OF YOUR REPORT – Step 2

3.1 What will happen?

You will be advised whether the referral is appropriate for this procedure.

Receipt of your report will be logged by the Whistleblowing Officer, following which you will normally be interviewed. You may be accompanied at the interview by a trade union representative, a colleague or a friend if you feel this would help. In most cases you will be asked to provide a written statement detailing the allegations following the interview.

You will receive a written acknowledgement of your report and will be informed of the action that will be taken to investigate your concern within 10 working days of receipt. You will also be given an estimate of the likely timescale of the investigation, although this cannot be guaranteed.

Where possible, you will be kept informed of the progress of the investigation, unless the Investigator considers that there is a risk of the investigation being prejudiced by disclosures of the process being taken. You may not receive full details of the progress or the outcome of the investigation if provision of details would be inconsistent with obligations of confidentiality in relation to others.

In some circumstances the matter may be referred to an external agency, such as the police, if crime is involved. Where possible the Whistleblowing Officer will advise you of this before doing so.

In exceptional circumstances, it may be considered appropriate for the allegations in your report to be investigated on behalf of the council by an external party, such as a solicitor or barrister. In these cases, the Council's Audit Committee will provide authority for an external investigation to be undertaken.

If you are not satisfied with the response from the Whistleblowing Officer, you may report this in writing to the Chief Executive.

3.2 Conclusion of the investigation – Step 3

If your allegation is not proven or there is insufficient evidence on which to base a conclusion, you will be advised accordingly. It will not be necessary in these cases for a report to be prepared as this could compromise your identity unnecessarily.

In cases where action is necessary as a result of your allegation, a report will usually be sent to the Corporate Director responsible for the area under investigation. The Corporate Director will be responsible for implementing the recommendations in the report. You will be advised when the investigation is complete but it may not always be possible to tell you the details of the findings as this may be confidential.

If the investigation concerns inappropriate action by the Corporate Director, the report will be sent directly to the Chief Executive. If you are concerned about the Corporate Director receiving the report you should discuss this with the investigator.

4 MODERN SLAVERY

4.1 Modern slavery is the illegal exploitation of people for personal or commercial gain, often in conditions which the victim cannot escape. Islington is committed to ensuring that this exploitation does not occur in any of the Council's activities and that staff and the public have the opportunity to report suspicions to the appropriate place.

Staff who suspect that modern slavery or human trafficking may be happening through any of the council's activities, particularly in service delivery via third parties, should contact the Council's Head of Internal Audit, Investigations and Risk Management immediately (Tel: 020 7974 2211).

More information and advice can be found on the government's website on modern slavery: <https://www.gov.uk/government/collections/modern-slavery>

5 GENERAL PROVISION

5.1 Anonymous reports

Whilst anonymous allegations do not carry the same weight, any such reports received by the council will be considered when the council believes this to be appropriate. When a decision is made to consider an anonymous allegation, appropriate investigations will be made into the circumstances, as far as possible. In exercising this discretion, account will be taken of the seriousness and credibility of the matters raised and the likelihood of confirming the allegation from the sources quoted.

Anonymous whistle blowers will not ordinarily be able to receive feedback. Anonymous whistle blowers may seek feedback through a telephone appointment or by using an anonymised email address. Please see the relevant contact details above

5.2 Anonymity

During the initial stages of the investigation, if you so wish, the council guarantees that your identity will only be disclosed to those directly involved in investigating the allegation. If you wish to remain anonymous, we will take all reasonable steps to maintain your anonymity throughout the enquiry, unless we are required by law to break it. For example, we may be required by law to disclose your identity to other investigating agencies, but we will discuss this with you before doing so.

5.3 Attendance at a disciplinary hearing

In cases where disciplinary action is taken, it may be necessary for you to provide witness evidence. We will try to gather evidence to support your allegation without requiring your attendance at a hearing, but this may not always be possible.

5.4 Non-disclosure agreements

Non-disclosure clauses in settlement agreements do not prevent you from making a disclosure under this policy or attracting the statutory protection.

5.5 Statutory protection

The Public Interest Disclosure Act 1998 and the Enterprise and Regulatory Reform Act 2013 provide individuals with protection from victimisation, dismissal or any other detriment provided they have a reasonable belief that what they have reported is true and the report is made in the public interest.

5.6 Protection to council employees

Action will not be taken against you by the council if you make a report with a reasonable belief that it is in the public interest even if it is not confirmed by the investigation.

The council will treat any victimisation or harassment of an employee because they made a report reasonably and in the public interest under this procedure as a serious disciplinary offence.

If you consider that you have been, are being or are likely to be victimised, dismissed, made redundant or made to suffer some other detriment as a result of making a report under this procedure, you should report your concerns to the Whistleblowing Officer. The matter will then be dealt with as a new referral under this procedure.

Employees should not make reports which they do not reasonably believe to be true or which are malicious. Disciplinary action may be taken against an employee who makes an allegation frivolously, maliciously or for personal gain.

If you are already the subject of a disciplinary, capability or redundancy procedure, this will not normally be halted as a result of your report.

5.7 Advice

If you wish to receive advice from a relevant professional in the council before making a report under this procedure, you should contact any of the following:

- The Corporate Director of Resources (Tel: 020 7527 2294)
- The Corporate Health and Safety Manager (Tel: 020 7527 2230)

Alternatively, you may wish to ask for confidential help from your trade union:

- UNISON:
Jane Doolan 0207 527 8298 - email
secretary@islingtonunison.org.uk
- GMB:
Marie McCormack Tel: 0207 527 3805 –
email: Marie.McCormack@islington.gov.uk

George Sharkey 0788 1310682 – email:

george.sharkey@islington.gov.uk

- Unite:

Jasmin Suraya 020 7527 8344 –

email: jasmin.suraya@islington.gov.uk

Or your professional organisation.

You may also contact the following organisations outside the council for assistance with your concern:

- Public Concern at Work, now known as Protect Tel: 020 3117 2520 or visit their website: <http://www.pcaw.org.uk/>

For additional support you can contact the Employee Assistance Programme (EAP)
Phone: 0800 243 458 or visit: <http://www.workplaceoptions.co.uk/member-login.asp>

Client ID: islington

Password: employee

The National Society for the Prevention of Cruelty to Children (NSPCC) has a national whistleblowing helpline for employees wishing to raise concerns about a child at risk of abuse.

You can find more information on this NSPCC whistleblowing helpline on their official website at: <https://www.nspcc.org.uk>

5.8 Reporting outside the council

This procedure is intended to provide you with an avenue within the council to raise concerns. The council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the council following completion of the process set out above, the following are possible contact points:

- HM Revenue & Customs,
- the Financial Services Authority,
- the Office of Fair Trading,
- the Health and Safety Executive,
- the Environment Agency,
- the Director of Public Prosecutions,
- the Department of Health,
- the Care Quality Commission,
- the Serious Fraud Office,
- Ofsted,
- or other appropriate regulatory body.

For a full list of bodies and person who you can make a disclosure to see:

<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies>

A report made externally, i.e. to the police, media or Member of Parliament, will only be protected and count as a qualifying disclosure under the legislation if the following apply:

- the report is in the public interest: if you honestly and reasonably believed the information and any allegation contained in it to be substantially true,
- the allegation has not been made for personal gain,
- the allegation has already been raised with the council, unless you reasonably believed you would be victimised or that there may be a cover-up or that the matter is exceptionally serious.

Also a disclosure is not a qualifying disclosure if:

- by making the disclosure, you have committed an offence (e.g. under the Official Secrets Act 1989), or
- the information should be protected from disclosure because of legal professional privilege (e.g. the disclosure has been made by a legal adviser (or their secretary) who has acquired the information in the course of providing legal advice).

5.9 Review of the whistleblowing procedure

The procedure and reports made under it should be reviewed at least every 4 years. The Audit Committee will receive a regular monitoring report on the use of this procedure, detailing all referrals made under this procedure.

Previous Version March 2014
This Version January 2019

Internal Audit Shared Service Draft Terms of Reference

Internal Audit Plan 2018/19

Programmes and Transformation

December 2018

Introduction and Ownership

The purpose of this Terms of Reference is to set out our work programme for the review of the design of controls and governance arrangements surrounding Programmes and Transformation within the Council. This audit was not included within the 2018-19 audit plan approved by the Audit Committee in March 2018, and is being undertaken as a special review at the request of the Audit Committee.

Councillor Nick Wayne (Chair of the Audit Committee) will take ownership of this review and will be responsible for agreeing the Terms of Reference. Roger Dunlop (Head of Transformation) will also be consulted.

Background

The Council's Audit Committee recently resolved to conduct an annual deep dive into an area of assurance that would have a positive impact Council-wide. It was agreed that, in 2018-19, this review would focus on programme governance arrangements given the level of transformation currently underway across the Council.

The Council currently has a focus on transformation to enable the authority to continue to operate as a well-run council. The Council has a number of transformation and change initiatives planned, which will be delivered as cross cutting ventures as well as within individual Council departments. It is anticipated that the Council's newly created Programme Management Office (PMO) will enhance programme and project governance and so support wider transformation and change initiatives.

The primary purpose of this review to advise the PMO during its initial creation and assess the adequacy of the design of controls to be introduced by the PMO.

Service Objective

The aim of the PMO is to improve how the Council approaches and manages programmes, projects and change activities and therefore support the Council to achieve its overall objectives. The main objectives of the PMO are to:

- Provide the senior leadership team with clear oversight of key programmes and how they are progressing;
- Help senior leaders to prioritise change initiatives by providing a more structured approach to project initiation;
- Provide scrutiny and challenge to key programmes and ensure that they are managing key risks and are on track to deliver the expected outcomes / benefits; and
- Develop tools, templates and guidance to help drive quality and consistency.

Scope

The review will focus on the design of the controls/governance arrangements that the PMO plans to introduce in order to achieve the objectives outlined above. To inform this, Internal Audit's twelve elements of project / programme management excellence will be utilised (see appendix A) and will form the basis of the assessment of the PMO's proposed controls. The twelve elements represent good practice project and programme management controls and have been developed based on extensive experience of delivering and assuring projects and programmes and enables any weaknesses in controls to be identified.

Audit objective and approach

Internal Audit will work with the PMO team in an advisory capacity to provide input into the design of PMO controls during its initial creation. Our review will include the following activities:

- Consider the adequacy of the proposed design of the PMO;
- Consider the design of proposed controls introduced by the PMO for programmes to utilise;
- Offer input on good practice aligned to the twelve elements (see appendix A) and lessons learnt from other Councils and programmes;
- Consider how the PMO is publicised and reaches out to key programmes;
- Reviewing pertinent documentation, such as any governance documents created or standard templates introduced for programmes to utilise; and
- Interview key members of PMO staff.

Limitations of Scope

The scope of our work is limited to the procedures outlined in the scope section above. We will not undertake any additional detailed testing over specific programmes as part of this review.

Output

The principal output from this review will be a management letter summarising the activities undertaken and highlighting any activities where the PMO may wish to undertake further work to strengthen the controls.

Proposed timescales

Action	Date
Agreement of terms of reference	December 2018
Fieldwork start	Early January 2019
Fieldwork complete	Mid January 2019
Draft management letter to client	End January 2019
Response by client	Early February 2019
Final management letter	End February 2019

Contacts

Internal Audit

Nasreen Khan – Head of Internal Audit, Investigations and Risk Management

Darren Armstrong – Internal Audit Manager

Dylan Emmons – Internal Audit Supervisor

Katie Lynch – Programme Lead

Council Contacts

Councillor Nick Wayne - Chair of Audit Committee

Roger Dunlop – Head of Transformation

Alan Layton – Service Director – Financial Management

Nicki Beardmore – Director of Finance

Lesley Seary – Chief Executive (final report only)

Appendix 1 – Twelve Elements of Project / Programme Management Excellence

Twelve Elements Model

