



Havering

L O N D O N B O R O U G H

AUDIT COMMITTEE AGENDA

7.00 pm	Wednesday 19 October 2022	Town Hall, Main Road, Romford
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Members 7: Quorum 3

COUNCILLORS:

Conservative Group (3)	Havering Residents' Group (2)	Labour Group (1)	East Havering Residents Group
Judith Holt Keith Prince Michael White	Julie Wilkes (Chairman) David Godwin (Vice- Chair)	Jane Keane	TBC

**For information about the meeting please contact:
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Under the Committee Procedure Rules within the Council's Constitution the Chairman of the meeting may exercise the powers conferred upon the Mayor in relation to the conduct of full Council meetings. As such, should any member of the public interrupt proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room and may adjourn the meeting while this takes place.

Excessive noise and talking should also be kept to a minimum whilst the meeting is in progress in order that the scheduled business may proceed as planned.

Protocol for members of the public wishing to report on meetings of the London Borough of Havering

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

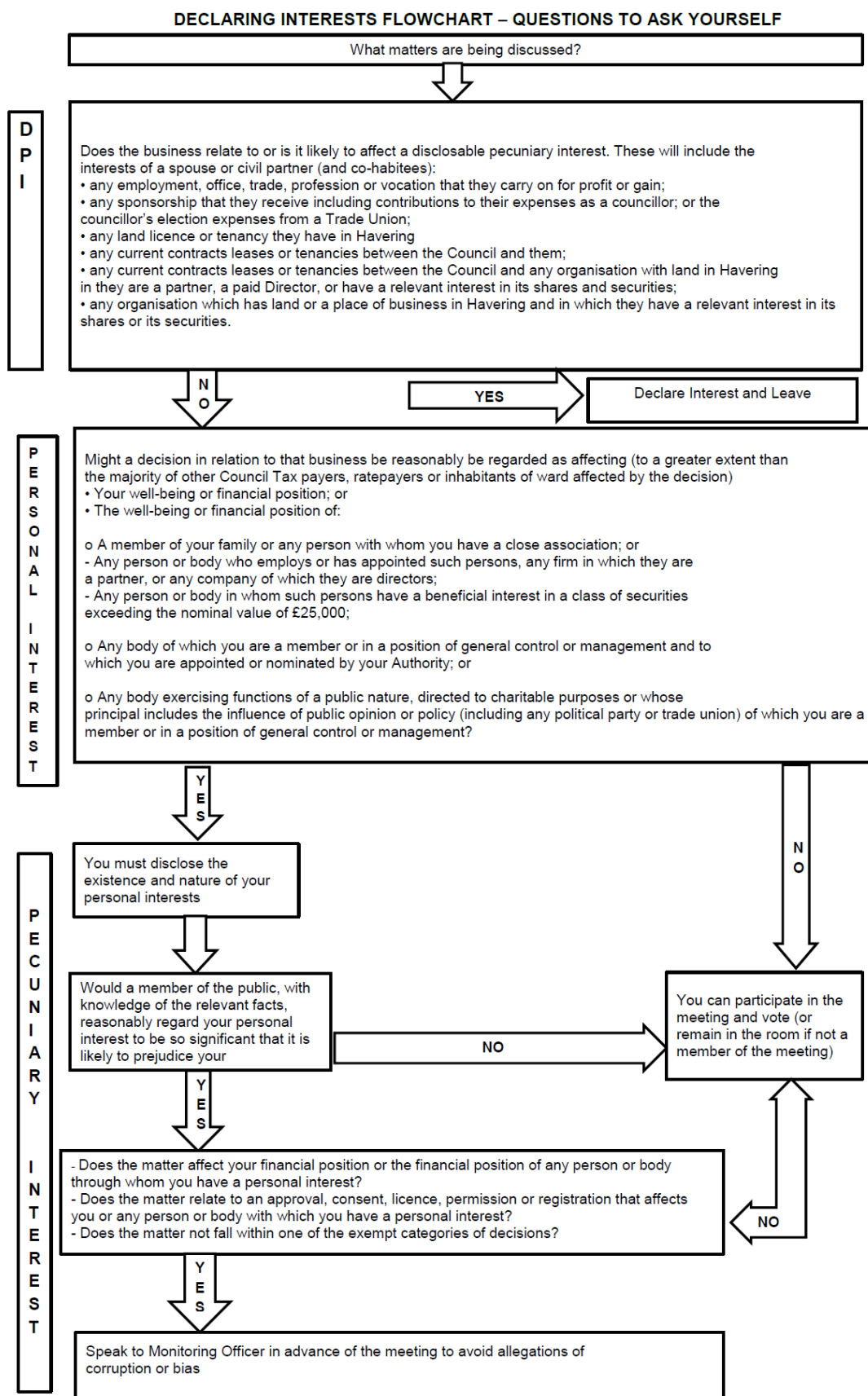
Reporting means:-

- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.



AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) – received.

3 DISCLOSURE OF INTERESTS

Members are invited to declare any interest in any of the items on the agenda at this point of the meeting.

Members may still disclose any interest in any item at any time prior to the consideration of the matter.

4 MINUTES OF THE MEETING 28 JULY 2022 (Pages 1 - 2)

To approve as correct the minutes of the meeting held on 28 July 2022 and authorise the Chairman to sign them.

5 ASSURANCE PROGRESS REPORT (Pages 3 - 38)

Report and appendices attached.

6 TREASURY MANAGEMENT MID-YEAR REPORT (Pages 39 - 54)

Report attached.

7 WORK PROGRAMME 2022/23

Zena Smith
Democratic and Election
Services Manager

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Town Hall, Main Road, Romford
28 July 2022 (7.00 - 7.31 pm)**

Present:

COUNCILLORS:

Conservative Group Keith Prince

Residents' Group Julie Wilkes, David Godwin (Vice-Chair)

Labour Group Jane Keane

**East Havering
Residents Group**

Apologies were received for the absence of Councillors Judith Holt and Michael White.

Unless otherwise indicated all decisions were agreed with no vote against.

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

88 MINUTES OF THE MEETING 22 FEBRUARY 2022

The meeting minutes of the Committee held on 22 February 2022 were agreed as a correct record and would be signed by the Chairman.

89 INTERNAL AUDIT PLAN 2022/23

151 Officer Dave McNamara updated the Committee on the position of the accounts. The deadline of 30 November for signoff of 2021/22 accounts would unfortunately not be met due to delays. The timetable for production of the 2021/22 accounts were tied up with 2021 audit accounts; and it was hoped that a copy of the 2021 accounts would be available for 19 October Audit meeting. The full 2022 accounts would likely be presented to the Audit Committee in April 2023.

A draft statement of 2021/22 accounts would be published on 29 July 2022. Further training would also be provided to Members in October.

The Committee were presented with a report on the Public Sector Internal Audit Standards that referred to the need to produce a risk-based Internal Audit Plan. It was explained that to take into account the requirement to produce an annual internal audit opinion and report that could be used by each Council to inform the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. To support this, the risk-based plan needs to include an appropriate and comprehensive range of work.

The report sets out the approach to producing the Internal Audit plan and invites comment from Members.

The Committee **noted** the report.

90 **HEAD OF ASSURANCE ANNUAL REPORT (INCLUDING 2021/22 INTERNAL AUDIT PLAN OUTTURN)**

The Committee were presented a report that brought together all the aspects of audit, assurance and counter fraud work undertaken in the 2021/22 financial year. These included actions taken by management in response to audit and counter fraud activity, which supported the governance framework of the authority.

It was explained that the report also included the Head of Assurance opinion on the internal control environment for 2021/22.

The Committee **noted** the report.

91 **TREASURY MANAGEMENT ANNUAL REVIEW 2021-22**

The Committee were briefed of how the CIPFA TM Code required that authorities report on the performance of the treasury management function to Full Council at least twice per year (mid-year and at year-end).

It was explained that the Authority's Treasury Management Strategy Statement (TMSS) 2021/22 was approved by Full Council on the 3 March 2021. This backward looking report covered the delivery of the TMSS in 2021/22.

The Authority borrowed and invested substantial sums of money and was potentially exposed to financial risk from loss of invested funds and the revenue impact from changing interest rates. The report also covered activity on treasury managed investments and borrowings and the associated monitoring and control.

The Committee **noted** the report.

Chairman



AUDIT COMMITTEE 19 10 2022

Subject Heading:	Assurance Progress Report
SLT Lead:	Dave McNamara, S151
Report Author and contact details:	Jeremy Welburn, Head of Assurance Tel: 01708 432610 / 07976539248 E-mail: jeremy.welburn@onesource.co.uk
Policy context:	To inform the Committee of progress on the assurance work during the first half of 2022/23.
Financial summary:	There are no financial implications arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report advises the Committee on the work undertaken by the Assurance Service (internal audit and counter fraud) during the period from 1st April to 30th September 2022. This report is presented in three sections:

Section 1: Introduction

Section 2. Executive Summary of work undertaken during the first half of 2022/23

Section 3. Limited Assurance Report Summaries and Recommendations

Section 4. Status of Internal Audit Plan 2022/23

Section 5. Counter Fraud Audit Work

Appendices: Provide supporting detail for Member's information

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

Section 1: Introduction, Issues and Assurance Opinion

1.1 Introduction

- 1.1.1 The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) and other guidance.
- 1.1.2 Audit committees are a key source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. Whilst the Council's Section 151 Officer has overarching responsibility for discharging the requirement for sound financial management, to be truly effective, an effective audit committee to provide support and challenge on the governance arrangements the Council has in place.
- 1.1.3 The Audit Committees provide essential support for the approval of the Annual Governance Statement (AGS) and for ensuring that good governance is embedded throughout the authority's day-to-day activities. Havering Council's Audit Committee receives regular reports regarding the progress of the action plan to address governance issues identified in the Annual Governance Statement.
- 1.1.3 Internal audit is a key component of corporate governance within the Council. An independent internal audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Committee and senior management on the higher risk and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

- 1.1.4 The work of internal audit is critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and forms the basis of the annual opinion provided by the Head of Assurance which contributes to the Annual Governance Statement. It can also perform a consultancy role to assist in identifying improvements to the organisation's practices.
- 1.1.5 The Annual Audit Plan was presented to Audit Committee in July 2022. The plan was developed in line with the four priorities outlined in The Havering Plan, with time allocated under each theme to carry out risk identification and process mapping, where required. Members are reminded that the 2022/23 audit plan was presented as a flexible plan, subject to review through the year to ensure that emerging risks are covered. Adjustments to the plan are made to allow for changes in the risk and operational environment in which the Council operates. The status of the current 2022/23 Internal Audit Plan can be found in Section 4 of this report.
- 1.1.6 This report brings together all aspects of internal audit and counter fraud work undertaken during the period from 1st April to 30th September 2022, in support of the Audit Committee's role.
- 1.1.7 The report supports the Head of Assurance's ongoing assurance opinion on the internal control environment and highlights key outcomes from internal audit and counter fraud work and provides information on wider issues of interest to the Council's Audit Committee. The Appendices provide specific detail of outputs for the Committee's information.

Section 2. Executive Summary of work undertaken during the first half of 2022/23

2.1 Internal Audit

- 2.1.1 Current, cumulative progress toward delivery of the 2022/23 audit plan, as at the end of September 2022, is summarised in the table below, with further detail provided in Section 2.1.3 below. It should be noted that some of the work undertaken by internal audit does not result in an opinion being provided, such as advisory reviews and grant claims.

Audit Plan Status	Number of Audits / Tasks
Final reports issued / Reviews Completed	11
Draft reports issued	5
Underway	11

2.1.2 In giving an overall Audit opinion on the system control environment within the areas reviewed, there are two levels of assurance as follows:

Key to Assurance Levels	
Reasonable Assurance	The control framework is adequate to manage the risks in the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
Limited Assurance	There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

2.1.3 The tables below details the results of the work undertaken during quarters one and two of 2022/23. Summaries of any limited assurance reports are provided in section 3.

Audit Title – LBH Systems Audits	Assurance	Recommendations			
		H	M	Adv	Total
<u>Full System Reviews:</u>					
SEND Transport	Limited	4	4	2	10
Contract Management - Cash Collection	Limited	3	1	0	4
Direct Payments	Reasonable	0	4	2	6
Housing – Property Buy-Backs	Reasonable	0	1	1	2
Pro-active Data Matching Exercise (Accounts Payable and Payroll)	Reasonable	0	0	2	2
<u>Ongoing Compliance Reviews:</u>					
Supported Families (Q1 Review)	n/a	n/a	n/a	n/a	n/a
Supported Families (Q2 Review)	n/a	n/a	n/a	n/a	n/a
<u>Advisory Reviews:</u>					
Governance Arrangements (Highways)	Completed – Advisory review				
DPIA Compliance (CCTV)	Completed – Advisory review				
Totals		7	10	7	24

2.1.3 Internal Audit follows up all high and medium risk audit recommendations with relevant service management. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations, in systems where limited assurance was provided, is verified through a follow up audit review.

- 2.1.4 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. Part of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high risk recommendations.
- 2.1.5 All high and medium risk recommendations due as at the end of September 2022 have been followed up and confirmed with management as implemented. Any recommendations that remain outstanding and are past agreed implementation dates will be reported to Audit Committee. A full list of all recommendations raised during the year and their status is provided in the Annual Assurance Opinion report.
- 2.1.6 There were nine high risk recommendations raised during the first half of 2022/23. These recommendations are provided with the summary reports to which they relate in section 3.
- 2.1.7 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

High	Fundamental control requirement needing implementation as soon as possible.
Medium	Important control that should be implemented.
Advisories	Pertaining to best practice.

Section 3. Limited Assurance Report Summaries and Recommendations

3.1 Special Educational Need and Disabilities (SEND) Transport – Executive Summary

3.1.1 Scope of Review

The scope of this audit focused on the effectiveness of the financial and operational controls in the following key areas:

- Compliance with statutory obligations, local policy and procedures; and
- The effectiveness of financial management including that transport choices provide value for money.

3.1.2 Summary of Findings

SEND Transport is an area of increasing service demand. This is evidenced by consistent overspends and increasing numbers being eligible for the service under Legislation. This review found that controls and checks within both the Children & Adults with Disabilities (CAD) team and the Passenger Transport Service (PTS) were in place and effective for elements of the service provision, with testing undertaken supporting this.

However, there were significant control issues identified with regard to the procurement of the taxi provision and difficulties in establishing the roles and responsibilities of the Council Services involved in this. Since the expiration of the original framework in 2016, no suitable alternative arrangements have been put in place that deliver the required service for the CAD team, in terms of achieving best value for money and providing assurances that services users are adequately safeguarded.

Therefore, the overall audit opinion on the system reviewed provides **Limited Assurance**. This means that there are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

This audit makes **four high, four medium** and **two advisory** recommendations to address the issues identified.

3.1.3 SEND Transport Recommendations and Management Action Plan

SEND Transport Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
<p>A review of the travel assistance policy for Havering confirmed that the transport offer follow the requirements detailed in the Department for Education (DfE) guidance. However, Local Authorities do not have a specific duty to provide free Post-16 transport – further supported by a review of other Local Authority policies where this is not provided.</p>	<p>R1 (Medium) – Partially Implemented Management should review the Post-16 provision in the current Transport Policy.</p> <p>Agreed Action Liaise with Legal team to identify potential risks to changing of policy. Draft paper for Senior Leadership Team (SLT)/Cabinet to identify the risks and benefits of changing policy. If agreed, initiate a full consultation process and review the Post-16 provision of transport to students on Havering's home to school transport policy as part of the update for 2023/24 policy.</p> <p><u>Update 30th September 2022:</u> Legal team have provided advice and will inform policy review for 23/24. Options identified and will inform savings proposals. Consultation proposed for early 2023.</p> <p>Timescale: October 2022 (Partially Implemented)</p>

SEND Transport Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
Decisions are made at a panel to regarding how the transport needs of the child are to be met. Whilst these panel decisions were evidenced during this review, there is scope for management to consider introducing a secondary approval at a budget holder level on decisions through panel that result in a taxi being provided to a child.	<p>R2 (Advisory) - Implemented</p> <p>Management should consider the benefits of implementing a temporary secondary approval at an appropriate senior level for the transport provided to the child/ young person; particularly for the provision of a taxi, as this is generally the least cost effective method of travel.</p> <p>Agreed Action</p> <p>Identify final sign-off (budget holder) for all taxi routes before they are commissioned. After each travel assistance panel meeting, a taxi justification document will be sent detailing why fuel reimbursement, travel training and a seat on the passenger bus is not suitable for the student, and will detail the justification for taxi.</p> <p>Implement a review date to consider if the Taxi remains the most appropriate mode of transport or if other modes of travel assistance need to be considered.</p> <p><u>Update 30th September 2022:</u></p> <p>Process established and Head of Service now has final sign-off for all taxi routes. Review dates identified.</p> <p>Timescale: September 2022 (Implemented)</p>

SEND Transport Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
In addition to Recommendation 2, management should consider individual transport reviews as part of the regular Education Health and Care Plan (EHCP) annual review process to determine if there is scope for a child/young person to attempt an alternative mode of transport.	<p>R3 (Advisory)</p> <p>Management should consider whether to include an annual review of the transport provision for each child/ young person, alongside the Education Health and Care Plan (EHCP) annual review process. This would help to determine:</p> <ul style="list-style-type: none">• Whether the travel provisions in place for each child / young person are the best options to meet their individual needs;• Whether the needs of the child / young person have changed; and• Any potential benefits to the child / young person progressing to more independent methods of travel is possible. <p>Agreed Action</p> <p>Travel training to be introduced an outcome on all Education Health and Care Plan reviews at an earlier age, ideally around 11-12 years old.</p> <p>As part of review (see R2) consider transport and its related costs as part of Education Health and Care Plan annual review process.</p> <p>Update planned at October Transport Board.</p> <p>Timescale: October 2022</p>

SEND Transport Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
<p>Due to the increase in pupil numbers for which transport is being provided, and the budget for SEND Transport remaining largely the same during the years reviewed, it is likely that the cost centre for SEND transport will be overspent for 2022/23, and in future years without any significant change in budgets.</p> <p>Implementation of both advisory recommendations two and three might assist in either reducing the reliance on taxis, or providing continued assurance that we are only providing this method of transport where nothing else will be suitable. This is unlikely to impact significantly on the position the Service finds themselves in with regard to consistent overspends. The findings of this audit would support a review with regard to realigning the budget to reflect service demand increases.</p>	<p>R4 (High) The budget should be reviewed and realigned if necessary to reflect the service demands.</p> <p>Agreed Action Split budget by departments and mode of travel assistance (i.e. taxi, travel training, etc.) to enable more effective monitoring and reporting. Identify key data sets and Key Performance Indicators' (KPIs) to be monitored at Transport Board. Pressure on budgets to be shared with SLT and/or Members as part of STAR Chamber process.</p> <p><u>Update 30th September 2022:</u> Initial discussions with corporate finance to identify required changes, and will be reviewed at P6. KPIs drafted, and will be finalised at October Transport Board. Included in July Member induction and August STAR briefings, and savings proposals being drafted.</p> <p>Timescale: October 2022</p>

SEND Transport Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
<p>The increased expenditure of the service is attributed to an increase in service demand. Based on some research during this review, this appears to be a situation that many Local Authorities are experiencing. A benchmarking exercise was underway during 2021/22 but had ceased. Discussions with senior management demonstrate awareness of the value of resuming this work and the benefits it will provide in terms of continued assurance on the value for money achieved by using our in-house Passenger Transport Services, as well as comparison data for our position with SEND transport.</p>	<p>R5 (Medium) - Implemented</p> <p>The benchmarking exercise that was underway in early 2022 should be resumed to ensure that the Council are obtaining comparative data to assess the current position with regard to service demand and costs.</p> <p>Agreed Action</p> <p>Agree scope of benchmarking review at Transport Board meeting.</p> <p>Liaise with London Councils to ascertain if there is any data held centrally, and if not will contact other councils to obtain comparative data at the sub-regional level in order to assess Havering's position in regards to service demand and costs.</p> <p><u>Update 30th September 2022:</u></p> <p>Scope agreed at Transport Board meeting in July.</p> <p>Benchmarking data from London Councils shared at Transport Board meeting in August and will used to inform savings proposals.</p> <p>Timescale: September 2022 (Implemented)</p>

SEND Transport Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
Discussions with staff during this review indicated that previously, when fuel reimbursements have been actively promoted to parents as an option for travel, that this has increased take up. This is a more cost effective solution to providing taxis to individuals.	<p>R6 (Medium) – Partially Implemented</p> <p>Implement a programme to actively promote the option of fuel reimbursement to parents as alternative travel provision.</p> <p>Agreed Action</p> <p>Work with Communications team on material (inc. press release) to promote fuel reimbursement.</p> <p>Pilot the introduction of an additional fuel reimbursement to parents who may be willing to carpool and transport their own children. There is the added environmental benefit in line with the council's commitment to cut carbon emissions.</p> <p>Review payment model to provide an upfront payment of fuel reimbursement for the whole term or the academic year. One of the challenges is that parents complain of being out of pocket before they are reimbursed. Transport officer to ensure that where possible, fuel reimbursement is first offer.</p> <p><u>Update September 2022:</u></p> <p>Promotional material produced and working with Comms team to promote using existing media channels. Policy updated and will be promoted to targeted families.</p> <p>Timescale: October 2022 (Partially Implemented)</p>

SEND Transport Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
<p>Travel Training is also a cost effective option for provision of transport and also offers the opportunity for children/young people to progress in their independence. Discussions with officers indicate that there are currently 12 children/young people identified as candidates for travel training but the current provider in place for travel training does not have the capacity to take on these additional children/young people.</p>	<p>R7 (Medium) Service to seek additional or alternative providers for travel training with a view to expanding the current capacity.</p> <p>Agreed Action Contact Transport for London to reintroduce safe bus days on a regular basis (at least every quarter) to transition students from passenger bus and taxis and promote independence.</p> <p>Spot purchase from other travel trainers providers such as Deluxe, Redbridge, etc.</p> <p>Travel Training to be sub-divided into 2 or 3 stages. This will encourage students and their families to view travel training as achievable in bite size, rather than one large activity to undertake.</p> <p><u>Update September 2022:</u> Update planned at October Transport Board.</p> <p>Timescale: November 2022</p>

SEND Transport Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
<p>All private hire operators / drivers, working within the boundaries of Greater London are required to have a licence with Transport for London (TFL), which requires drivers to evidence that they have a current DVLA or EEA state driving licence, to be medically fit and to undertake an enhanced Disclosure and Barring Service check.</p> <p>In the absence of a clear and complete audit trail within the relevant service areas to verify this is in place, Internal Audit carried out a check on Transport for London Private Hire Operator License Check, to confirm the existence of a license for each of the seven providers. Only three of the providers were found using the search function.</p> <p>At the time of writing this report, attempts are still underway to confirm that all of the remaining providers are adequately licensed. Initial contact was made with Transport for London by Internal Audit, however a formal written request for information is required and so this will need to be followed up as a matter of urgency.</p>	<p>R8 (High) – Partially Implemented</p> <p>Transport for London are contacted, formally and in writing, to confirm that the taxi companies in use all have current Transport for London Private Hire Operator Licenses.</p> <p>Agreed Action</p> <p>Procurement and Passenger Transport Services/Transport Commissioning Unit to liaise and ensure all taxi providers are licensed and duly compliant.</p> <p>Timescale: July 2022 (Implemented)</p> <p>Agree key data sets and Key Performance Indicators to be reviewed on a quarterly basis as part of Service Level Agreement monitoring process.</p> <p>Timescale: October 2022 (Partially Implemented)</p> <p><u>Update September 2022:</u></p> <p>All relevant licenses obtained.</p> <p>SLA drafted, and will be finalised at October Transport Board.</p>

SEND Transport Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
<p>This review identified a lack of clarity regarding the roles and responsibilities of the four key departments involved in the procurement of Taxi provision. The expiry of the previous framework agreement and the failure to successfully implement the Dynamic Purchasing System resulted in a decision being made to direct award contracts to successful bidders. Formal contracts for the majority of service providers could not be located. Assurance cannot be provided that all appropriate due diligence has been undertaken on the companies currently transporting service users to ensure that safeguarding responsibilities are met.</p>	<p>R9 (High) - Implemented</p> <p>Children's and Adults Disabilities (CAD) Management should seek assurance from all relevant departments involved to ensure that all appropriate due diligence has been undertaken on the companies currently transporting service users, particularly with regard to the requirement for relevant Health and Safety training and Disclosure and Barring Service (DBS) checks. These checks should occur regularly to take into account new drivers.</p> <p>Agreed Action</p> <p>Establish quarterly meeting with taxi providers with Passenger Transport Services (PTS) and Joint Commissioning Unit (JCU) for Quality Assurance checks and to enforce due process on health and safety, risk assessment, etc.</p> <p><u>Update September 2022:</u></p> <p>Meetings established and scheduled, with updates to be provided at following Transport Board meetings.</p> <p>Timescale: July 2022 (Implemented)</p> <p>Introduce random spot checks with drivers at school gates (asking for details of license and Disclosure and Barring Service checks) and information obtained to be cross-checked on Passenger Transport Service database.</p> <p><u>Update September 2022:</u></p> <p>Spot checks established and scheduled, with updates to be provided at following Transport Board meetings.</p> <p>Timescale: September 2022 (Implemented)</p>

SEND Transport Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
<p>A draft Service Level Agreement (SLA) dated August 2017 (outlines the SLA between the Passenger Transport Service and the Children and Young Adults with Disability Service (CAD). The content of the document also outlines the relationship between CAD and the Joint Commissioning Unit (JCU). This document was not finalised. As such, there is not a service level agreement between the four services involved in providing transport to SEND children that ensures service levels are agreed, monitored and complied with.</p>	<p>R10 (High) – Partially Implemented A Service Level Agreement between Passenger Transport Services and Children's and Adults with Disabilities service is agreed by all parties and finalised. This should include measurable outcomes, which are regularly monitored for compliance, reviewed and updated to ensure it continues to be fit for purpose.</p> <p>Agreed Action Draft Service Level Agreement with clear objectives, responsibilities and measurable outcomes clearly identified and consult with Children's and Adults with Disabilities service, Joint Commissioning Unit and Passenger Transport Services/Transport Commissioning Unit.</p> <p>Agree Service Level Agreement at the next Transport Board.</p> <p>Update September 2022: SLA drafted and will be finalised at October Transport Board.</p> <p>Timescale: October 2022 (Partially Implemented)</p>

3.2 Contract Management – Cash Collection

3.2.1 Scope of Review

In April 2022, concerns were raised with Internal Audit raising concerns regarding issues with a cash collection service being provided to a community centre. It was reported that the provider had suspended the cash in transit service in December 2021 due to alleged non-payment of invoices. Internal Audit understood that the Council had a corporate contract with the provider and so a decision was made to review the arrangements in place as part of the Contract Management audit.

3.2.2 Summary of Findings

This review has found a number of different issues that, collectively, have resulted in the problems experienced with the Council's cash collection service and the subsequent allegations of non-payment of invoices by Council departments.

If not for this review, these matters would not have been addressed and it is likely, given the lack of payments to the provider since August 2021, that the remaining department's services would possibly have been suspended.

Whilst it is acknowledged that Procurement engaged with the provider as soon as Internal Audit notified them of the findings, and were working towards rectifying the issues highlighted by this review, as at 26th June 2022, the suspended collections have not been reinstated. Therefore **Limited Assurance** on the area reviewed has been provided on the basis that there are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

This audit makes **three high** and **one medium** recommendations to mitigate the risks identified. A system of exception reporting is operated whereby only risks that are not being adequately managed or controls that are not being performed effectively are reported on.

Contract Management – Cash Collection Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
The Council's corporate contract with the existing provider expired in 2015. A number of services continue to use the provider under the impression that this is still a Corporate Contract.	<p>R1 (High) Action should be taken to address the expired corporate contract with the provider.</p> <p>Agreed Action Action is in hand with the requirement being defined</p> <p>Timescale: Given the requirement to tender it will take a minimum of 6 months (Dec 22) to let a fully compliant contract.</p>
Disputes with the provider over non-payment of invoices have been occurring since August 2021. Whilst it is acknowledged that Procurement engaged with the provider as soon as Internal Audit notified them of the findings, and were working towards rectifying the issues highlighted by this review, as at 26th June 2022, the suspended collections have not been reinstated.	<p>R2 (High) The Strategic Procurement Unit should lead on the Council's engagement with the provider to resolve the issues regarding the perceived non-payment of invoices and the suspension of services. This should include ensuring that all parties within the Council and the provider are aware of the correct process to follow, including any applicable exemptions.</p> <p>Agreed Action Agreed. Actions to be determined.</p> <p>Timescale: See below</p> <ul style="list-style-type: none"> • Engagement with the provider within 3 months (Sep 22) • Process development and notification by (Oct 22) • New contract as R1 above (Dec 22)

Contract Management – Cash Collection Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
<p>At the time of the review none of the email communications sent by Council officers to the provider received responses and so officers have been under the impression that invoices were subsequently paid once the provider had taken the appropriate action.</p> <p>This review found a general lack of ownership of these problems alongside the failure of the provider to engage effectively with Council officers.</p>	<p>R3 (High)</p> <p>The Strategic Procurement Unit should ensure that adequate contact details are held for the provider and that all officers within the Council, using the provider have up to date / accurate contact information available. Including the Strategic Procurement Unit to report any contract / service related issues.</p> <p>Agreed Action</p> <p>Contact details will be gathered from the provider by Aug 22. Contract and service related issues are the responsibility of the Service using the contract.</p> <p>Timescale: September 2022</p>

Contract Management – Cash Collection Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
<p>Services were notified in late 2020, via the use of generic automated emails from Accounts Payable that manual invoices would no longer be processed by the Accounts Payable Team and that services should use Fusion to raise POs and pay invoices. However, this communication did not consider any exempt suppliers such as those providing the cash collection service. As a result, services began following a new process; whilst the service provider continued raising manual invoices outside of the system as they had been for years. This resulted in the provider not processing purchase orders in the system to allow invoices to be generated and paid.</p>	<p>R4 (Medium) The Accounts Payable Team should work, in liaison with the Strategic Procurement Unit to agree how services using the provider raise purchase orders in advance of service and without an invoice. All respective services / officers should be provided with appropriate guidance and training in this matter.</p> <p>Agreed Action The Procurement & P2P guides are all available on the intranet for officers to refer too. The guides set out the requirement for Purchase Orders to be raised in advance of the services / goods being procured. FUSION operates on a self-service basis, and therefore one 2 one training is not provided to users. The AP team can be contacted if there are any specific issues relating to payments. Where there are specific AP related issues, the AP team would be happy to liaise with the service to address these.</p> <p>Internal Audit Response to Management Comments: Internal Audit do not consider that this goes far enough to mitigate the risk that services are aware of the issues raised in this report and the process changes arising in response. To avoid any unnecessary delays / issues with the cash collection service, Internal Audit are therefore taking the unusual action of notifying relevant departments that use the provider's services.</p> <p>Timescale: Recommendation Closed</p>

Section 4. Status of Internal Audit Plan 2022/23

Audit Title – LBH Systems Audits	Opinion / Status as at end Q2	Recommendations			
		H	M	Adv	Total
Governance Arrangements (Highways)	Completed – Advisory review				
DPIA Compliance (CCTV)	Completed – Advisory Review				
Pro-active Data Matching Exercise (Accounts Payable and Payroll)	Reasonable	0	0	2	2
SEND Transport	Limited	4	4	2	10
Contract Management - Cash Collection	Limited	3	1	0	4
Direct Payments	Reasonable	0	4	2	6
Housing – Property Buy-Backs	Reasonable	0	1	1	2
Supported Families (Quarter One Review)	n/a	n/a	n/a	n/a	n/a
Supported Families (Quarter Two Review)	n/a	n/a	n/a	n/a	n/a
Projects and Programmes	Draft Report				
Private Sector Leasing (PSL) Follow Up	Draft Report				
Housing – Service Charges	Draft Report				
Contract Management - Environment	Draft Report				
Total to the end of Quarter 2		7	10	7	24
Procurement inc Contract Management	Underway				
Housing - Compliance	Underway				
Payroll (review to incorporate follow up)	Underway				
ICT	Ongoing throughout 2022/23				
Compliance – Key Financials	Ongoing throughout 2022/23				
Grant Reviews	Ongoing as demand arises				
Joint Counter-Fraud work	Ongoing as demand arises				
Voids – Follow Up	Q3				
Housing – Responsive Repairs	Q3				
Joint Ventures – Governance & Compliance	Q3				
Waivers	Scope TBC				
Planning	Scope TBC				
Safeguarding Adults	Scope TBC				
Continuing HealthCare	Scope TBC				
Contract Management - Highways Services	Scope TBC				
Social Care Contract Award Follow Up	Q3				
Audit Title – LBH Schools Audits					
Scotts Primary	Underway				
St Ursula's Catholic Primary	Underway				
The RJ Mitchell Primary	Underway				
Parklands Primary	Underway				
Academies					
Emerson Park Academy	Draft Report				
Health Checks					
Health Checks (21)	2 Completed	4 Underway			

Section 5. Counter Fraud Audit Work

5.1 Proactive Counter Fraud Investigations

5.1.1 The counter fraud service are continuing to follow up, fraud referrals, desk based intelligence checks and investigations with door step visits and Interviews under Caution where necessary.

5.1.2 Proactive work undertaken during 01/04/2022 to 30/09/2022 is outlined below:

Description	No. Received
Advice to Directorates: General advice and support to Directors, Heads of Service etc. including short ad-hoc investigations, audits and compliance.	10
Advice to Other Local Authorities: All Data Protection Act requests via Local Authorities, Police etc.	1
Fraud Hotline: To take all telephone calls and emails relating to the 'Fraud Hotline' and action / refer appropriately.	3
FOI Requests: To undertake all Freedom of Information (FOI) Requests.	2
National Fraud Initiative: The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and is conducted every two years. To co-ordinate the 2020/21 NFI and issue reports to relevant services for review.	Notification of NFI 2022/23 requirements have been received. Services have been contacted to inform of dates and specification.

5.2 Reactive Investigation Cases

5.2.1 Nine referrals were brought forward from the previous period.

- Six cases have been investigated and concluded; and
- The remaining three cases are still under investigation.

5.2.2 During 01/04/2022 to 30/09/2022 four referrals were received; two of which, information was provided by Whistle-blowers:

- One case has been investigated and concluded; and
- Three referrals are currently being investigated.

5.3 Housing Cases

5.3.1 The following table illustrates the work undertaken in relation to housing fraud and right to buy (RTB) applications:

Description	2021/22	2022/23 (to date)
Number of referrals investigated	91	97
Properties recovered	6	4
Notional Saving	£108,000	£72,000
RTB referred and reviewed	146	71
RTB stopped	2	4
Notional Saving	£225,600	£464,800
Total Notional Saving	£333,600	£536,800

5.3.2 The following table illustrates the breakdown of cases:

Description	2022/23 (to date)
Number of referrals brought forward	60
Number of new referrals retained for investigation *	37
Number of referrals currently under investigation	73
• Notice To Quit (NTQ) issued	5
• Pending bailiff action	2
• Passed to Legal Services for Criminal / Civil Proceedings	11
• Awaiting Court Hearing	4
• Open Investigations	51
Number of completed investigations	24
• Closed Properties Recovered	4
• Closed RTB stopped **	4
• Closed NFA	14
• Closed No Offence	2

Key: * Total number of referrals received and triaged was 72. However, only 37 are being investigated as the remaining referrals do not get investigated by the Counter Fraud Team, e.g. Housing Benefit, other LA's.

** Total number of RTB's referred and reviewed was 71

NB: Housing Services now refer Mutual Exchanges to the Counter Fraud Team to review. A total of 15 Mutual exchanges have been referred and reviewed. One has been retained for further investigation.

Section 3: Corporate Risk Register Update

- 3.1 The Corporate Risk Register is subject to regular review (at least quarterly) and risks are discussed at monthly Governance and Assurance Board meetings, chaired by the Section 151 officer. Audit Committee receive an updated Corporate Risk Register every six months. As part of this ongoing review, new risks may be added and existing risks amended or removed.
- 3.2 A summary version of the current Corporate Risk Register is provided in Appendix A. This includes current likelihood and impact scoring of the risks based on assessment by the risk owner (using the risk matrix from the Council's Risk Management Strategy and Toolkit).
- 3.3 The Risk Management Strategy and Toolkit provides a comprehensive framework and process designed to support managers in ensuring that the Council is able to discharge its risk management responsibilities fully. The strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that we have in place to manage risk successfully.
- 3.4 Havering uses a 5 x 5 scoring matrix to assess the Likelihood of a risk event occurring and the potential impact on the Council if it were to happen (below). The green shaded area on the matrix shows the risks where there is good control and the Council is comfortable with the level of risk. Risks in the amber and red zones are those over which closer control and further management action may be required.

Impact	Very High (5)	5	10	15	20	25
	High (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Low (2)	2	4	6	8	10
	Very Low (1)	1	2	3	4	5
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
		Likelihood				

- 3.5 Work continues by the Internal Audit & Risk Team to further embed the risk management strategy at a Directorate level, including risk workshops and further training where required. This phase of work will ensure Directorate level risks are aligned to the strategic risks to ensure mitigating actions are managed consistently.

- 3.6 The next stage of our risk management work is the wider implementation of JCAD, a bespoke Risk Management system to make the process more efficient and effective; providing links to strategic objectives; easier monitoring and reporting, and demonstration of compliance with good risk management practices. This is expected to be in place by December 2022.

Appendices: Provide supporting detail for Member's information

Appendix A: Corporate Risk Register 2022/23 Q2

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

By maintaining an adequate internal audit service, management are supported in the effective identification and efficient management of risks and ultimately good governance. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obliged to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. Such failures may result in financial losses for the Council.

Climate Change implications and risks:

None arising directly from this report. Risks around this are reflected in the Corporate Risk Register and incorporated into the scope of audits where relevant.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.


The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.


Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

Appendix B - Corporate Risk Register – Quarter Two 2022/23

Risk Ref.	Risk Title and Description	Last updated	Impact	Likelihood	Current Status (R/A/G)	Direction of Travel
HAV001	Financial Resilience – Inability to deliver a balanced budget as a result of: <ul style="list-style-type: none"> Inadequate Government Funding Rising Demographic pressures and increased complexity of Social Care Rapidly increasing inflation Cost of Living Crisis Delay or non-achievement of planned MTFS savings Inability to forecast due to uncertainty over 2023/24 Government Funding Uncertainty regarding timing of future Government funding reforms including fair cost of care Difficulty in identification of further efficiencies and savings following a decade of Austerity and increased demand following the COVID pandemic 	September 2022	4	4	16	
Mitigation Action Plan						
<ul style="list-style-type: none"> Early diagnosis of the financial gap to allow time for actions to be put in place including new savings proposals. Lobby the Government at every available opportunity to put the case for both lack of Funding for local government generally and more specifically how Havering is disadvantaged from the current distribution formula. Work with national lobbying groups such as the LGA and London Councils to put the case for more funding to the Government. The Council has developed over £30m of savings proposals (over 4 years) which are being consulted on to reduce the financial gap. The Council continues to review its structure to develop a new target operating model which both aligns with current service priorities but also delivers savings and efficiencies. The Council is in the process of reviewing the Capital Programme to ensure that all schemes continue to be viable (see regeneration section of this risk register for further details). The Council has developed action plans to mitigate and reduce the in-year overspend including: <ul style="list-style-type: none"> All overspends reviewed and challenged to identify any non-recurrent spend which could be funded from reserves All use of consultancy reviewed by senior management 						

Appendix B - Corporate Risk Register – Quarter Two 2022/23

Risk Ref.	Risk Title and Description	Last updated	Impact	Likelihood	Current Status (R/A/G)	Direction of Travel
HAV0002	Cyber, Information Governance and Technology Risk <ul style="list-style-type: none"> Risk that appropriate technical controls are not in place to prevent a cyber-attack as a result of lack of investment in appropriate technologies, reliance on in-house expertise and self-assessments. Lack of an appropriate Information Security Management System reduces ability to effectively manage information security risks. Reduced chances of preventing/responding to incidents due to a lack of forward planning or investment or ineffective Business Continuity Planning. 	September 2022	4	3	12	
Mitigation Action Plan						
<u>Cyber Security – Technical Controls & Platforms</u> <ul style="list-style-type: none"> Cyber Security Programme underway to put in place new technology and security controls to mitigate known issues. Delivery is monitored by the Senior Information Risk Owner (SIRO) and reported to the Information Governance (IG) Board. Network Refresh Programme is underway to put into place new technology and security controls to mitigate known issues with the network technology and configuration. Delivery is monitored by the SIRO. Security Operations Centre service provision in place, enabling significant uplift in our ability to detect malicious attacks and mitigating vulnerabilities. <u>Information Security Policies and Risk Management</u> <ul style="list-style-type: none"> Information Governance Board continues to provide oversight of Information Assurance and act as an escalation point to the SIRO. A review/update of all policies, including developing any that are missing has commenced through external contracted resource. Continue to deliver effective ongoing training and awareness to staff. A revised training system with improved ability to track compliance is in procurement. <u>Business Continuity and Council's Service Resilience in the event of an IT outage</u> <ul style="list-style-type: none"> A project to assess Business Continuity Planning (BCP) arrangements in the event of an outage have commenced via Havering Transformation Team. The Applications Audit is providing some high-level output to identify system owners and risks. Data to be verified and further information sought where risks are perceived. Disaster Recovery (DR) capabilities for systems not hosted on IT-managed infrastructure to be verified by the System Owners and via vendors. <u>ICT Resilience</u> <ul style="list-style-type: none"> A replacement IT backup solution for system managed via the oneSource IT service has been procured and is currently being implemented/configured/tested. 						

Appendix B - Corporate Risk Register – Quarter Two 2022/23

Risk Ref.	Risk Title and Description	Last updated	Impact	Likelihood	Current Status (R/A/G)	Direction of Travel
HAV003	<p>Potential harm to people we owe a duty of care</p> <ul style="list-style-type: none"> Social care fails in its duty of care, particularly to the vulnerable in society (as a result of reduced staffing, increased hospital discharges etc.) and a service user is harmed as a result of provider failure. Safeguarding issues occur due to multiple issues with DOLS, BIA and easement of Care Act. Adult social care and Council fails in its duty of care, particularly to the vulnerable in society, and a service user is harmed or dies as a result of those failures. This includes illegal deprivation of liberty of users of services, where the appropriate Deprivation of Liberty Safeguard is not in place. Children's Social Care fails in its duty of care to children and a child is harmed or dies as a result of those failures. 	September 2022	4	3	12	↔
Mitigation Action Plan <ul style="list-style-type: none"> The service operates Quality Team processes to review standards of care including contract monitoring carried out against framework providers and residential providers in the borough. A Quality Assurance Framework provides a risk based approach to the market of care service. Transparent and robust Guidance for Suspension of Placements Strong links with CQC with early notification of problems with providers. Service attendance at the Quality and Safeguarding Board with the CQC and HealthWatch. Safeguarding Adults Team reviews investigations following patterns emerging from a provider that suggests concerns. Robust 'Establishment Concerns & Failure' Procedure & Guidance Sharing of information and intelligence with other Local Authorities at the Local Quality and Surveillance Group. Appropriate and effective safeguarding processes and arrangements in place. Training in Multi-Agency Safeguarding Hub to ensure appropriately triage safeguarding enquiries against the criteria. Monthly Safeguarding and Oversight meeting chaired by Safeguarding Service Manager. Monthly Service Manager audits to ensure regular spot checking of s.42 and practice feedback. Safeguarding Policies and Guidance are reviewed and updated. Staff are appropriately supervised to be able to carry out their roles to a high standard. 						

Appendix B - Corporate Risk Register – Quarter Two 2022/23

Mitigation Action Plan (continued)
<ul style="list-style-type: none">- Safeguarding Adults Board (SAB) in place with opportunities for Chair to escalate any areas of concern.- Robust and well communicated process in place to forward specific cases to the Community and Domestic Violence Multi Agency Risk Assessment Conferences (MARAC) to ensure partnership approach where required.- Safeguarding Team attend Team Meetings to provide relevant updates around key topics such as Mental Capacity Act (MCA) or Domestic Violence (DV).- Training for residential and nursing homes and develop the safeguarding support provided to them to ensure they fully understand their roles and responsibilities in relation to safeguarding.- Adults Social Care Resilience Business case to address staffing pressures.- Broad range of targeted training available to social care staff and managers to ensure all are properly equipped.- Regular Review of Safeguarding caseloads across teams.- Monitoring of demand via referrals to Multi-Agency Safeguarding Hub (MASH).- Recruitment process underway for Social Workers.- Monitoring and continuation of early help and intervention work where possible, in line with model of practice.


Appendix B - Corporate Risk Register – Quarter Two 2022/23

Risk Ref.	Risk Title and Description	Last updated	Impact	Likelihood	Current Status (R/A/G)	Direction of Travel
HAV004	Regeneration <ul style="list-style-type: none"> Shaping the future of the Borough – and possible impact of economic downturn. Circumstances that have arisen at other Councils have highlighted the importance of monitoring the sustainability of significant regeneration programmes. Quality of housing in Borough - ensuring it is fit for the future. Inflationary rises mean that the cost of developments may not be sustainable / achievable. 	September 2022	4	3	12	↔
Mitigation Action Plan <ul style="list-style-type: none"> Increased monitoring of economic conditions. Even greater focus on scheme viability at a project level. Ensure adequacy of scheme contingency allowances. Review for a possible need to adjust the tenure mix (a possible mitigation to viability challenges). Review of affordable housing products to maximise external grant/income opportunities. Adjust delivery programmes, where appropriate, to respond to the market cycle. Regeneration schemes and progress of joint ventures will be part of the capital programme reporting to Themed Board. The pipeline schemes for the Joint Venture's and Mercury Land Holdings are reviewed at the Regeneration officer board every six weeks. The financial viability of the joint ventures is regularly reviewed and professional advice sought as part of each Annual Business Plan refresh, which are approved at Cabinet. Project progress and risks are reviewed regularly at the Prouder steering group, all Regeneration projects form part of the Prouder Verto dashboard, and highlight reports are produced monthly. The Regeneration management team are scheduling risk reviews at a more regular basis, and a directorate risk register has been created based on reported project risks. Financial Risks are included in each Regeneration Officer Board reports (this occurs on a 6 weekly basis). 						

Appendix B - Corporate Risk Register – Quarter Two 2022/23

Risk Ref.	Risk Title and Description	Last updated	Impact	Likelihood	Current Status (R/A/G)	Direction of Travel
HAV005	<p>Workforce</p> <ul style="list-style-type: none"> There is a risk that the current work stream demands across the Council result in pressure being placed on resources. Potential difficulties with recruitment and retention which could be due to prolonged pay negotiations and general upturn in recruitment market. This could lead to the Council struggling to meet changes in demand for services. There could be a loss of experienced staff due to sickness as well as staff leaving for other jobs (given the rising cost of living), with a subsequent impact on service delivery. National Pay negotiations will have a financial impact. <p>This will require a more general update once the Council's Vision, Target Operating Model (TOM) and People Strategy are agreed by Cabinet in November.</p>	September 2022	3	4	12	↔
Mitigation Action Plan						
<ul style="list-style-type: none"> The new People Strategy and associated action plan is due to go to Cabinet in November 2022 for approval. Actions from this strategy are designed to ensure that the Council remains an attractive place to work and remains competitive. Outcomes and actions from the results of the staff engagement survey. Revised policies and procedures are being revised and rolled out. These are subject to regular review and update to reflect the latest position. Promotion and monitoring of staff wellbeing. Monitor staff turnover/reasons for leaving through exit interview analysis and respond as appropriate in line with policy (redesigning roles/recruitment/market supplements etc.). Work underway to review workforce trends and hotspots and implement solutions as appropriate. 						

Appendix B - Corporate Risk Register – Quarter Two 2022/23

Risk Ref.	Risk Title and Description	Last updated	Impact	Likelihood	Current Status (R/A/G)	Direction of Travel
HAV006	<p><u>Major system, supplier, external infrastructure failure or natural disaster</u></p> <ul style="list-style-type: none"> • Lack of effective business continuity plans / emergency planning and poor defences in places (e.g. severe weather, flooding, pandemic etc.). • Business Continuity (BC) and Councils Service Resilience in the event of an IT Outage - If the council has a Business Continuity disruption and is unable to ensure the resilience of key Council operations and business activities, then the impact of the event maybe increased with a greater impact on people/services. • Unavailability of IT and/or Telecoms, including from cyber attack • Instability of the social care market due to problems with financial sustainability, workforce capacity and recruitment means that the Council are unable to commission care and support services for vulnerable residents. • Capacity issues within the provider market sector (linked to recruitment and retention) could lead to an inability to meet demand for services. • Cost of care in residential homes is incompatible with the Council's rate leading to an unstable market and residential care home refusing to take clients. 	September 2022	3	3	9	
Mitigation Action Plan <ul style="list-style-type: none"> - Due diligence in advance of contract awards. - Major emergency plan in place within organisation to mitigate the initial impacts of these types of events. - Corporate Business Continuity Plan and individual service area Business Continuity Plans held and updated by services. - Corporate Business Continuity Plan outlines critical service for initial priorities with included service time scales. - Individual incident plans for specific scenario for example, Multi-agency flood plan, Excess Deaths Plan, Severe Weather, etc. - Regular updates of plans and testing and exercising associated risks. - Corporate Risk Register linked to the London Risk register on relating risks, for example; societal associated risks. - Work with Care Providers Voice, workforce professionals and other partners to develop and implement a workforce development plan and training offer to support retention and development of existing staff and attract new staff to the care sector. - Regular review of market rates, in consultation with local providers and uplifts applied as appropriate to support the market and ensure suitable rates are offered and passed on to workforce. - Monitoring of the reablement contract and development of agreement with CCG for long term joint funding arrangements and increasing capacity to ensure a sustainable service that will meet future need. 						

Appendix B - Corporate Risk Register – Quarter Two 2022/23

Risk Ref.	Risk Title and Description	Last updated	Impact	Likelihood	Current Status (R/A/G)	Direction of Travel
HAV007	<p>Significant Governance or Control Failure</p> <p>Further work needs to be undertaken to develop a comprehensive, auditable and objective assurance process to give reassurance that the Governance framework is understood and embedded within the organisation. Particular emphasis should be given to ensuring that any change in the governance framework is known and addressed and that new personnel are equipped with the correct knowledge and understanding.</p> <ul style="list-style-type: none"> • Cultural failings, poor leadership and ineffective policies and procedures. • Increasing financial pressures, reduced staffing capacity and loss of skills, knowledge and experience • Increase in commercial activity in local government, accompanied by greater complexity in local delivery and funding arrangements. 	September 2022	3	4	12	↔
Mitigation Action Plan						
<ul style="list-style-type: none"> - Governance and Assurance Board continues to operate with regular review of Significant Governance Issues (SGIs) as reported in the Annual Governance Statement. Regular monthly meetings, good attendance by appropriate officers or delegates. - Review of Directorate Assurance Statements to inform assurance opinion, Internal Audit Plan, Significant Governance Issues and the Corporate Risk Register. - Annual Governance Statement is reviewed following the Delivering Good Governance in Local Government CIPFA/SOLACE Framework. - Whistle-blowing procedures have improved and subject to regular review. - Internal Audit regime was revised to reflect the new circumstances of working virtually and flexibly to meet the emerging risks. Audit Plan is regularly reviewed and adapted to address arising issues/risks. - Internal challenge continues through audit process including; follow up process for all Limited Assurance reports, monitoring and follow up of all High and Medium Risk recommendations and escalation of Limited assurance reports through Governance and Assurance Board, Themed Board and Audit Committee, flexible plan to adjust priorities for emerging risks. 						

Appendix B - Corporate Risk Register – Quarter Two 2022/23

Risk Ref.	Risk Title and Description	Last updated	Impact	Likelihood	Current Status (R/A/G)	Direction of Travel
HAV008	Failure to deliver strategic corporate priorities The post pandemic and austerity legacy combined with unprecedented levels of demand (e.g. for children's and adults services), may have an impact on the ability to deliver corporate priorities in line with residents demand and perception.	September 2022	3	4	12	↔
Mitigation Action Plan <ul style="list-style-type: none"> - Programmes such as local area coordination and community hubs are designed specifically to build stronger relationships with residents. Council-run campaigns - run either solely and directly or in partnership (such as the #BeNiceToYourNoggin campaign) raise awareness about community issues and communicates what the Council is doing to support residents. - Corporate plan with established priorities supports delivery of key programmes. - The Council will ensure regular engagement, consultation and increased participation in the planning of services and provision of insight into residents' lived experience. 						

Risk Ref.	Risk Title and Description	Last updated	Impact	Likelihood	Current Status (R/A/G)	Direction of Travel
HAV009	Council fails to adapt to changing context New and ongoing work towards meeting the climate change agenda could have a wider impact on the Council's ability to adapt to a changing environment.	September 2022	4	2	8	↔
Mitigation Action Plan <ul style="list-style-type: none"> - Climate Change Agenda work is taking place with various individual action plans for different aspects of climate change have been shared at Theme Board and further work to continue. 						

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Audit Committee	19th October 2022
Subject Heading:	2022/23 Treasury Management Mid-Year Report.
SLT Lead:	Dave McNamara (Section 151 officer and Chief Operating Officer)
Report Author and contact details:	Tony Piggott / Stephen Wild Tony.Piggott@onesource.co.uk Stephen.Wild@onesource.co.uk 01708 434 368 / 0203 373 3881
Policy context:	The code of practice on treasury management 2017 requires that the Authority be provided with a Mid-year report on treasury activities
Financial summary:	There are no direct Financial implications from the report
Is this a Key Decision?	NO
When should this matter be reviewed?	Bi-Annually
Reviewing OSC:	Overview and Scrutiny Board

The subject matter of this report deals with the following Council Objectives

Communities making Havering	<input type="checkbox"/>
Places making Havering	<input type="checkbox"/>
Opportunities making Havering	<input type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

SUMMARY

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code ("TM Code") require authorities to produce a mid-year report on their treasury management activities.

The Authority's Treasury Management Strategy Statement (TMSS) for 2022/23 was approved at the Cabinet meeting on 16th February 2022 and at Full Council on the 2nd March 2022.

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

The key highlights of the Mid-Year report are as follows:

- At the end of August 2022 the investment portfolio return was 1.00%
- Net interest outturn is expected to be within budget.
- There was no breach of the Authority's prudential indicators and treasury indicators.

RECOMMENDATIONS

- To note the treasury management activities to August 2022 are detailed in the report.
- To note LIBOR ceased to be supported and published by the banks from the 31st December 2021, being replaced by SONIA - this will be Treasury's benchmark reference rate from the 1st January 2022.

REPORT DETAIL

Background

1.0 Treasury management

- 1.1 The authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 1.2 The other main function of authority's treasury management operation is to help fund its capital plans. These capital plans provide a guide to the borrowing need of the authority, essentially the longer term cash flow planning required to meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet the Authority's risk or cost objectives.

2.0 Introduction

- 2.1 This report has been written in accordance with the requirements of the CIPFA TM Code.
- 2.2 This is the Mid-Year Review Report required by the TM Code and covers the following:
 - Economic update for the first part of the 2022/23 financial year.
 - Treasury Management Summary to the end of August 2022.
 - Review of the authority's borrowing strategy for 2022/23
 - Review of the authority's investment portfolio for 2022/23
 - Review of compliance with Treasury and Prudential Limits for 2022/23.

3.0 Economics and interest rates

3.1 Economics update

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 2.25% from 1.75% on the 22nd of September. The increase reflected a split vote – five members voting for a 50 basis points increase, three for 75 basis points and one for 25 basis points. The MPC continues to grapple with getting inflation back on track over a three-year horizon. The Government has announced that the OBR will scrutinise their spending plans on 23rd November, whilst the Bank of England held off from making an emergency

Bank Rate increase and instead confirmed that it would do everything necessary to ensure headline inflation, on the CPI measure, drops back to 2% over a three-year timeframe. Furthermore, there is every chance that the on-going steep rises in gas, electricity and food inflation, when added to significant increases in fixed rate mortgages and rents, may see the UK head into recession despite the Government's best intention to prevent this occurrence. Markets will be looking closely at the upcoming inflation, employment and growth numbers for early signs as to how the new policies are performing, accepting that many of the announcements (outside of the support for caps on household and energy costs) have yet to be implemented.

3.2 *Interest rate forecasts*

The authority's treasury advisor, Link Asset Services (LAS), has provided the following updated interest rate forecast for base rate and medium term PWLB issuance in **Appendix A**:

4.0 **Treasury Management Summary**

4.1 The mid year treasury management position is shown in table 1 below.

Table 1: Treasury Management Summary as at 31st August 2022

	01.04.22	Movement	31.08.22	Weighted Average Rate
Investments	£m	£m	£m	%
Fixed Deposit	133.0	-6.0	127.0	1.03
Money Market Funds	0	0	0	0
Call Account	20.0	-20.0	0	0.64
Total investments	153.0	-26.0	127.0	1.00
Loans				
PWLB	307.1	0	307.1	2.89
Banks (LOBO)	7.0	0	7.0	3.60
Temporary Borrowing	0	0	0	0
Other L/T borrowings	0.8	0	0.8	0.38
Total Loans	314.9	0	314.9	2.89

4.2 The Authority's treasury investments as at 31st August 2022 totalled **£127m** and comprised of **£15m** deposited with local authorities, **£70m** with banks, **£42m** with the Government's Debt Management Office (DMO).

4.3 Appendix B shows the breakdown of the authority's investments.

5.0 Borrowing Strategy

5.1 *Detail*

Due to the volatility in long term borrowing rates and the uncertainty around inflation over the medium term, the strategy is to borrow < 5 years primarily via the PWLB, and via short term borrowing < 1 year from local authorities and banks, although other sources of finance will be considered. The Authority's cash balances remain high due to capital slippage which has limited the need for further long term debt and will be used in part to fund the 2022/23 borrowing requirement in the capital programme. PWLB debt remained the most economical source of long term capital finance, although officers constantly evaluate other sources of finance.

5.2 *Debt Rescheduling*

The possibility of debt rescheduling is regularly discussed with our treasury adviser. However opportunities have been almost non-existent in the current economic climate. The current PWLB rules on redemption are prohibitive and costly.

5.3 *LOBO's*

The Authority holds a £7m LOBO loan with Danske Bank at 3.60% that has the option to propose an increase in the interest rate at set dates, while the Authority has the option to either accept the new rate or to repay the loan at no additional cost. LAS stated there is a high probability that the lender will propose an increase in the rate in November 2022. If called, this will be financed from current cash balances, officers will continue to monitor and discuss with Danske Bank going forward.

6.0 Budgeted Income and Return

- 6.1 The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 2 below:

Table 2: 2021-22 Treasury Investment Performance to 31st August 2022

Period	Benchmark Average 3 month SONIA compounded, looking back	Budget Rate %	Actual Rate %
1/4/22 to 31/08/22	1.14	0.25	1.00

- 6.2 The authority underperformed its benchmark during the period. This was due in part to the steepness of the yield curve, and the need to keep a proportion of our funds in near dated liquid investments to meet cash calls as they fall due and the rapid increase in bank rate during the period. The strategy of keeping investments in short term maturities leaves our portfolio able to reinvest at high rates as rates are forecast to increase further during 2022-23.
- 6.3 It is expected that the average 3 month SONIA rate will rise significantly by financial year end as the bank of England continues to fight inflationary pressures and offset the fiscal expansion announced in the recent mini budget. Accordingly investments are being kept in shorter maturities < 6 months for the remainder of the financial year.
- 6.4 The continued delays to capital expenditure has meant investment balances are running higher than planned earlier in the year. Both investment income and borrowing cost are expected to be within the budget forecast.
- 6.5 Since the 1st January 2022 LIBOR ceased to be supported and published by the banks being replaced by SONIA, see explanation in **appendix D**. Accordingly treasury will use SONIA going forward to benchmark activities and performance.

7.0 Current Investment Opportunities

- 7.1 The Authority is occasionally made aware of long term investment opportunities within OneSource, brokers or investment advisers. By extending the number of regulated brokerage firms it provided more competition and resulted in deals being agreed that best meets the authority's requirements.
- 7.2 Cabinet on the 26th February 2021 approved changes to the Treasury Management Strategy Statement (TMSS) which facilitate investment in a wider range of products.

8.0 Changes in risk appetite

- 8.1 The 2017 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy will be brought to members' attention in treasury management update reports.

9.0 Compliance with Prudential and Treasury Indicators

- 9.1 It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. The Authority's approved 2022/23 Treasury and

Prudential Indicators (affordability limits) were included and approved by Full Council as part of the TMSS 2nd March 2022.

- 9.2 During the period, the Authority has operated within the treasury limits and Prudential Indicators set out in the authority TMSS and in compliance with the authority's Treasury Management Practices. An update on indicators and limits are reported in **Appendix C** of this report.

IMPLICATIONS AND RISKS

Financial implications and risks:

Year to date treasury activity is in accordance with the Authority's approved TMSS. There have been no breach in the Authority's treasury indicators and prudential indicators set out in the TMSS.

It is expected that the authority's net interest costs will be within budget in 2022/23 and any new borrowing undertaken for the capital programme for remainder of 2022/23 will be in accordance with the Authority's treasury limits and prudential indicators.

Legal implications and risks:

Cabinet is required to have a full understanding of all financial risks and be satisfied that they are propitiate to its overall budget and that the Council is not exposed to any unacceptable, unnecessary or disproportional risk in the management of its financial affairs.

Members also need to feel assured that there has been no breach of the Authority's prudential indicators and treasury indicators.

Human Resources implications and risks:

There are no HR implications from this report

Equalities Implications and Risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce.

Health and Wellbeing Implications and Risks:

The Council is committed to improving the quality of life and wellbeing for all Havering employees and residents in respect of socio-economics and health determinants. There are no direct implications to the Council's workforce and resident's health and wellbeing as a result of this report.

BACKGROUND PAPERS

None

Appendix A

Interest Rate Forecast

Provided by Link asset services (LAS)

Link Group Interest Rate View		27.09.22											
		Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE		4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings		4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings		4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings		5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB		5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB		4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB		5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB		4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

Appendix B

Table 1 breakdown of Investments as at 31st August 2022

Class	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Deposit	31/08/22	01/09/22	DMADF (Debt Management Account Deposit Facility)	Maturity	1.55%	27,000,000
Deposit	25/08/22	07/09/22	Leeds City Council	Maturity	1.60%	5,000,000
Deposit	23/08/22	23/09/22	DMADF (Debt Management Account Deposit Facility)	Maturity	1.69%	15,000,000
Deposit	25/07/22	26/09/22	Gloucester City Council	Maturity	1.52%	5,000,000
Deposit	14/02/22	14/11/22	Fife Council	Maturity	0.85%	5,000,000
Deposit	20/07/22	30/12/22	Goldman Sachs International	Maturity	2.20%	15,000,000
Deposit	08/02/22	08/02/23	National Westminster Bank plc	Maturity	1.31%	25,000,000
Deposit	08/08/22	08/02/23	Goldman Sachs International	Maturity	2.46%	5,000,000
Deposit	22/08/22	22/02/23	Santander UK plc	Maturity	2.75%	25,000,000
Fixed Total					1.8413%	-127,000,000

Appendix C

Compliance Report

All treasury management activities undertaken during the period complied fully with the CIPFA Code of Practice and the authority's approved Treasury Management Strategy. Compliance with specific treasury limits is demonstrated in tables below.

1.1 Interest Rate Exposure

- 1.1.1 This indicator is set to limit and control the Authority's exposure to adverse movements in short term interest rates during the current financial year and over the forecasted period. The upper limit on fixed and variable rate interest rate exposures, expressed as the proportion of gross principal borrowed are as follows:

Table1: Interest rate exposure activity

	2022/23 Limit %	2022/23 Actual 31/08/22 %	2023/24 Limit %	2024/25 Limit %
Upper limit on fixed interest rate exposure	100	99.7	100	100
Upper limit on variable interest rate exposure	25	0.3	30	35

Fixed rate borrowings are those borrowings where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

- 1.1.2 Having larger amounts of fixed interest rate borrowing gives the Authority greater stability with regards to its interest payments and reduces the risk of higher interest costs should interest rates rise. Traditionally local authorities have taken advantage of fixing interest rates long term to reduce interest rate exposure. The table excludes Salix Finance loans as these are held at zero interest hence no interest rate exposure.

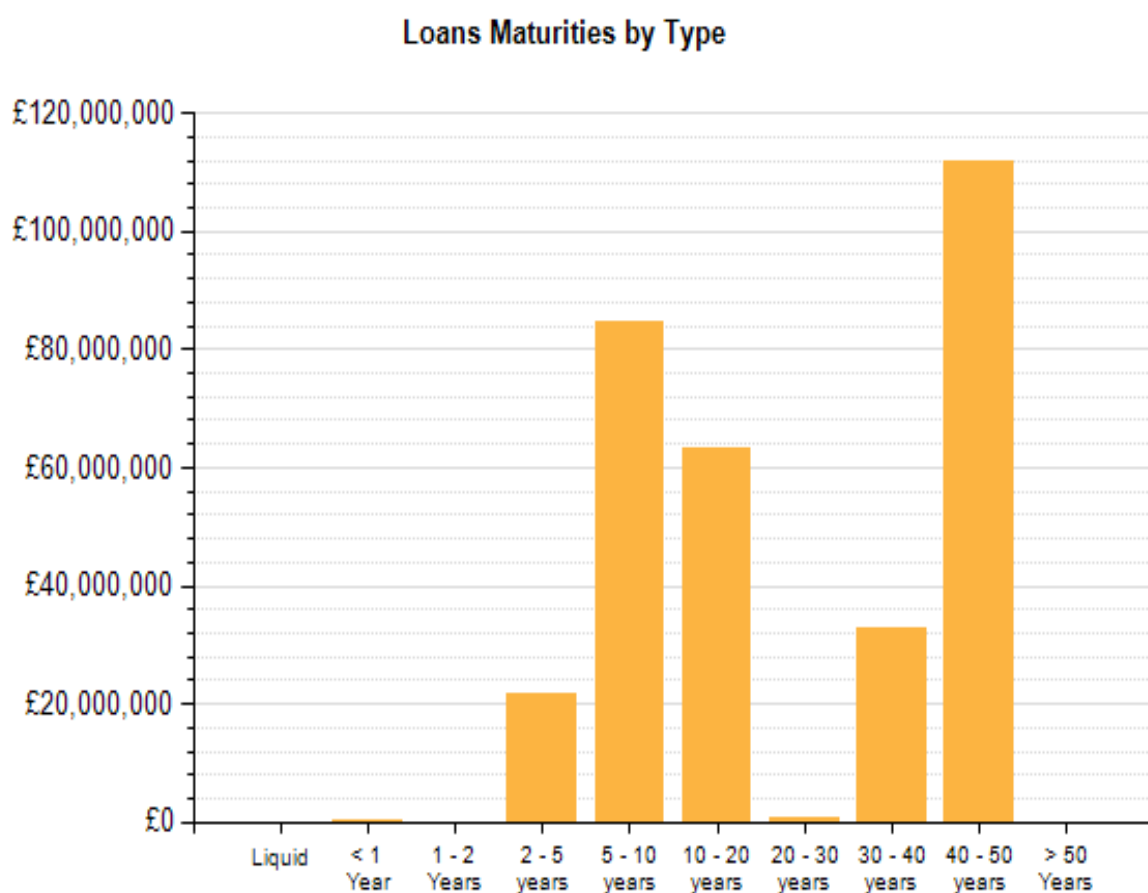
1.2 Maturity Structure of Borrowing

- 1.2.1 This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are as follows:

Table 2: Loan maturity structure as at 31st August 2022

	Upper %	Lower %	Actual %
Under 12 months	40	0	0.03
12 months and within 24 months	60	0	0.00
24 months and within 5 years	80	0	6.84
5 years and within 10 years	100	0	26.86
10 years and above	100	0	66.27

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.



1.3 Principal Sums Invested for Periods Longer than 365 days

- 1.3.1 The purpose of this indicator is to control the authority's exposure to the risk of incurring losses by seeking early repayment of its investments.
- 1.3.2 The limits set in the 2022/23 treasury management strategy in comparison to the half year are set below. It is the authority's policy to classify available for sale investments with maturities exceeding one year as long term investments.

Table 3: Investments for periods longer than 365 days

	2022/23 Limit £m	2022/23 Actual 30.08.22 £m	2023/24 Limit £m
Limit on principal invested beyond year end	120	0	120

1.4 Gross Debt and the Capital Financing Requirement (CFR)

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

Table 4: Gross debt and the CFR

	31.03.22 Actual £m	31.03.23 Estimate £m	31.03.24 Estimate £m	31.03.25 Estimate £m
Long Term External Debt	314.9	314.9	314.9	314.9
CFR	468.9	672.6	905.6	1097.3
Internal Borrowing	154.0	357.7	590.7	782.4

- 1.4.2 Total debt is expected to remain below the CFR during the year. The actual debt levels are monitored against the Operational Boundary and authorised Limit for External Debt, below. Officers will replace internal borrowing with external borrowing when it is favourable to do so.

1.5 Operational Boundary for External Debt

- 1.5.1 The operational boundary is based on the authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The Authority long term debt as at 31.08.2022 is £314.9m and no limit has been exceeded.

Table 5: Operational Boundary

Operational Boundary	2022/23 £m	2023/24 £m	2024/25 £m
Borrowing	696.3	770.7	852.5
Other long-term liabilities	10.0	10.0	10.0
Regeneration Programme	168.7	259.3	277.5
Total	875.0	1,040.0	1,140.0

1.6 Authorised Limit for External Debt

- 1.6.1 The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Table 6: Authorised limit for external debt

Authorised Limit	2022/23 £m	2023/24 £m	2024/25 £m
Borrowing	805.0	853.0	903.0
Other long-term liabilities	10.0	10.0	10.0
Regeneration Programme	248.0	300.0	350.0
Total Debt	1,063.0	1,163.0	1,263.0
Long Term Debt	314.9	314.9	314.9
Headroom	748.1	848.1	948.1

Appendix D

Glossary of Terms

A bond is a debt instrument in which an investor lends money for a specified period of time at a fixed rate of interest. The issuing entity could be corporate, financial or government.

A floating rate note (FRN) is a money market instrument with a Floating/variable rate of interest, which re-fixes over a reference rate, for example 3 month LIBOR.

Bail in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. A bail-in is the opposite of a bail-out, which involves the rescue of a financial institution by external parties, typically governments using taxpayer's money.

Certificates of deposit (CDs) are a negotiable form of fixed deposit, ranked pari passu with fixed deposits. The difference is that you are not obligated to hold the CD to maturity, you can realise the cash by selling in the secondary market.

Coupon is the total amount of interest a security will pay. The coupon period depends on the security. A CD will often pay interest at maturity, while a bond may pay semi-annually or annually and an FRN will most likely pay every 3 months.

Covered bond Covered bonds are conventional bonds (fixed or floating) issued by financial institutions, that are backed by a separate group of loans, usually prime residential mortgages. This lowers the creditor's exposure to default risk, enhancing the credit. This is why the issue is usually rated AAA, higher than the rating given to the issuer reduces exposure to bail-in risk.

Credit rating A measure of the credit worthiness of a borrower. A credit rating can be assigned to country, organisation or specific debt issue/ financial obligation. There are a number of credit ratings agencies but the main 3 are Standard & Poor's, Fitch or Moody's.

GDP the monetary value of all finished goods and services made within a country during a specific period.

MIFID is the Markets in Financial Instruments Directive. A European Union Directive.

Principal is the total amount being borrowed or lent.

Spread is the difference between the buy and sell price of a security. It can also be the gap, usually in basis points, between the yield of a security and the benchmark security.

Monetary Policy Committee (MPC) is a committee of the [Bank of England](#), which meets for three and a half days, eight times a year, to decide the official [interest rate](#) in the [United Kingdom](#) (the [Bank of England Base Rate](#)).

CPIH (Consumer Prices Index including owner occupiers' housing costs) The new additional measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH).

Treasury bills (T-bills) are UK government rated, short-dated form of Government debt, issued by the Debt Management Office (DMO) via a weekly tender. T-bills are normally issued for one, three or six month duration.

Borrowing Requirements The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.

Capital Financing Requirement (CFR) Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.

Counterparties Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMFs.

Credit Default Swap (CDS) A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.

Credit Watch A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors that indicate the financial strength and other factors of a bank or similar Institution.

Interest Rate Exposures A measure of the proportion of money invested and what impact movements in the financial markets would have on them.

LIBOR London interbank offer rate, the average of a daily submission by various banks for where they offer funds in different maturities.

Market Loans Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.

Money Market Fund (MMF) A 'pool' of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.

Minimum Revenue Provision (MRP) This is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.

SONIA sterling overnight interest average rate, the average rate at which banks offer funds in the overnight sterling market.

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