

## NOTICE OF MEETING

# AUDIT COMMITTEE

**Tuesday, 3rd December, 2024, 7.00 pm - George Meehan House,  
294 High Road, N22 8JZ (watch the live meeting [here](#) watch the  
recording [here](#))**

**Members:** Councillors Isodoris Diakides, Ahmed Mahbub, Erdal Dogan (Chair),  
Cathy Brennan (Vice-Chair), Mary Mason, Alessandra Rossetti and Adam Small

**Quorum:** 3

### 1. FILMING AT MEETINGS

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on. By entering the 'meeting room', you are consenting to being filmed and to the possible use of those images and sound recordings.

The Chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual, or may lead to the breach of a legal obligation by the Council.

### 2. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

### 3. URGENT BUSINESS

The Chair will consider the admission of any late items of Urgent Business. (Late items will be considered under the agenda item where they appear. New items will be dealt with under item 13 below).

### 4. DECLARATIONS OF INTEREST

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and

(ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct.

**5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS**

To consider any requests received in accordance with Part 4, section B, Paragraph 29 of the Council's Constitution

**6. MINUTES (PAGES 1 - 16)**

To confirm and sign the minutes of the Audit Committee meeting held on 7 March 2024 as a correct record.

To review the Action Tracker.

**7. VALUE FOR MONEY ASSESSMENT TO 31 MAR 2023 (BDO)**

Report to follow.

**8. UPDATE ON RECENT HOUSING AUDITS WITH LIMITED ASSURANCE (PAGES 17 - 24)**

This report provides Audit Committee with details of the progress made by Housing Services in implementing the key recommendations of the recently completed Housing Services audits conducted by Mazars, the Council's independent internal auditors, which received a limited assurance rating.

**9. INTERNAL AUDIT PROGRESS REPORT 2024/25 - QUARTER 2 (PAGES 25 - 44)**

This report details the work undertaken by Internal Audit for the period 1 September to 30 October 2024 and focuses on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised – work undertaken by the external provider (Forvis Mazars).

**10. ANTI-FRAUD AND CORRUPTION PROGRESS REPORT QUARTER 2 2024/25 (PAGES 45 - 56)**

This report details the work undertaken by the in-house resources in the Audit and Risk team and communicates a second update on completion of the work plan for 2024/25.

**11. QUARTERLY TREASURY MANAGEMENT UPDATE REPORT (PAGES 57 - 70)**

This report provides an update to the Audit Committee on the Council's treasury management activities and performance during the first half of the 2024/25 financial year, in accordance with the CIPFA Code.

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Fiona Alderman  
Head of Legal & Governance (Monitoring Officer)  
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Monday, 25 November 2024

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## **MINUTES OF THE AUDIT COMMITTEE HELD ON TUESDAY, 8 OCTOBER 2024, 7:00PM – 10:03PM**

**PRESENT:** Councillors Isodois Diakides, Erdal Dogan (Chair), Mary Mason, Alessandra Rossetti and Adam Small

**ALSO ATTENDING:** Reyaaz Jacobs (Independent Member), Reene Deba (Independent Member)

### **1. FILMING AT MEETINGS**

The Chair referred to the notice of filming at meetings and this information was noted.

### **2. APOLOGIES FOR ABSENCE**

Apologies had been received from Councillor Ahmed Mahbub and Councillor Cathy Brennan

### **3. URGENT BUSINESS**

There was no urgent business.

### **4. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS**

There were none.

### **6. MINUTES**

**RESOLVED:** That the minutes of the meeting held on 18 July 2024 be agreed and signed as a correct record.

A query was raised regarding updates which were due to be provided to the Committee. A resolution on the Procurement Systems Replacement Project Update had stated that the Committee would receive a paper at its next meeting setting the outcome of the review by Digital Services. This was also an action listed on the Action Tracker.

The Action Tracker also stated that a report on risk management strategy which included an update (or a risk management strategy) on leisure services would also be submitting a paper in either the October or December Committee meeting.

The Action Tracker also listed that an update would be provided to the Committee regarding agency staff workers and Pendarren House.

In response, the meeting heard that the agenda for this meeting was full, therefore an update would be provided in the upcoming meetings and that an update on Procurement would be provided at this meeting. The meeting also heard that an update on Pendarren House would be provided in advance of the next meeting and would be circulated to members of the Committee.

The lead listed officer for the changes to Procurement systems would be Ms Taryn Eves, Head of Finance.

### **7. INTERNAL AUDIT PROGRESS REPORT 2024/25 - QUARTER 1**

Mr Minesh Jani, Head of Internal Audit and Risk, introduced the report.

The meeting heard:

- A query was raised in relation to the timeliness of reports. This was important for the Audit Committee to carry out its function as reports submitted late could mean that the data in the report may have dated levels of relevance. The protocol for submitting reports should be followed. In response, the meeting heard that the protocol had been set out and that all audits would follow a timeline. Assurances had also been sought that where timelines had been exceeded, the Committee would be made aware of the reasons why.
- It was possible for the Head of Internal Audit and Risk may be asked to audit a certain area. Taking the Risk Management Strategy into account, officers were responsible for knowing what the issues were, implementing the remedial action and asking Audit to provide assurance for the remedial action. Audit should be used to fulfil an assurance role as well. Part of the job of the Head of Internal Audit and Risk was to provide independent assurance on systems and control, but there were some areas where invitations had been accepted to do a new audit, because the level of assurance was so low that it required improvements and sometimes it was better for Audit to identify control gaps in addition to management gaps at the same time so they could be fixed together.
- The role of the Head of Internal Audit and Risk was quite wide and within the standards for public sector internal audit. This entailed how to support the organisation to achieve the best it could and sometimes when things were found, it could be disconcerting if certain basic required elements were not present. There were some areas where the level of internal control was not at the level it should be. A number of reports had been brought to the Committee but many issues appeared to be around three or four areas; record keeping, supervisory controls, policies and procedures directing staff and the robustness of new systems. Efforts were being made around the audit process and the sense of the implementation of the recommendations. It was unlikely that all recommendations would be implemented, but if a lot of the recommendations could be implemented in a timely way, then the Council would have a much better chance of establishing better internal controls.
- The importance of completing audit work tied in with recommendations being implemented on time.
- Monitoring of the implementation of the recommendations was important. Overseeing the implementation of recommendations was also important and there were a few ways this was being done. Detailed final reports were being shared with the Head of Finance

and the Chief Executive. There was also a Statutory Officers Group which discussed independent audit. A team data tracker was being developed. Monitoring and management of recommendations needed to be in place, but was separate to accountability and responsibility. Good progress was being made regarding tracking the implementation of recommendations and this was something that would be of interest to the Committee.

- There was an overall option that all services relied on which set out the principles of how procurement should be carried out in the Council. Concerns had been expressed in the past as to how effective this was. There had been proposals to have changes implemented so there was more oversight over some of the activity so more assurance could be provided to the service and to the Committee.
- Sometimes, as auditors began their work, if they come up with concerns such as health and safety matters, then they would identify and report those immediately. The subsequent report would need to be issued when findings were agreed. There was a process from identifying the issues, having a formal meeting (where the issue would be raised again) to the report being drafted for management comments. A final report would then be issued.

RESEOLVED:

To recommended to note the audit coverage and follow up work completed

### **8. UPDATE FROM DIRECTOR OF CHILDREN'S SERVICES ON RESIDENTIAL PLACEMENTS AND CHILDREN IN NEED (VERBAL UPDATE)**

Ms Ann Graham, Director of Children's Services, provided a verbal update to the Committee.

The meeting heard:

- Looked After children were carefully tracked. A robust system was in place whereby when a child became looked after, they would be placed on a new system called. Liquid Logic (replacing Mosaic). There was not a child in care that was not on that system.
- There were numerous processes and systems in place, including seeing the children regularly. There was direct communication with the children and although some of the tracking had not been recorded vigorously, this did not mean that relevant action had not taken place.
- Audit was taken seriously and attempts had always been made to take actions on any recommendations.
- In relation to permanency planning for children, these were not just driven by permanency planning processes, there were other processes where permanency was driven, such as Children Looked After review processes. Efforts were being made to bring permanency planning to a better level.
- There had been staffing issues within the permanency planning area and this had blocked some of the frequency and the timeliness around to children being returned back to a panel within three months.

- Children under the age of five got reviewed every four weeks. Checks were made to make sure there were no delays around adoption. Children over the age of five - to six upwards – had a process in place that was in need of a review. Therefore, a tracker was in place regarding children that were due for reviewing. Any non-compliance around children not being brought back at the right times would be escalated to managers within the service. A permanency planning tracking model was being sought to ensure that social workers were given sufficient notice to ensure when to bring children back to review. Several sit-in sessions had been prepared to ensure that the message was clear to staff regarding their responsibilities.
- A range of auditing was done in the service. However, social workers could not spend all their time making sure that the system constantly had the right information recorded on it. It was also important that they spent their time asking the children about their safety, the quality of their education, their goals and aspirations and how are they were getting on with the people around them. A lot of the training was driven to the qualitative aspects of a child's life. Those doing the audits examined these various criteria as did OFSTED. However, OFSTED were unlikely to go into the detail of policies. Everyone in the service would be asked to focus on the best outcomes for the children and the young people.
- Audit was a valuable tool to give assurance where things were not looking at their optimum level. It would be possible to send auditors to the areas which operated at optimum level and this was not the point of audit. An action plan could then be implemented and show Improvement so that the next time an audit was made improvements could be observed.
- When the audit report was received, it was responded to and actions were completed. This was not the end of the process. A new assistant director had been appointed and although a time scale was not yet set, the service would be audited again. The service would be happy to report back to the Committee in four to six months' time.
- Having a nil-assurance report was less than optimum, but inspection and audit was useful as an improvement tool.
- The service would continue to make improvements with Liquid Logic. Aside with Liquid Logic was PowerBI. This was a system through which data was gathered. Work was being done to make it more efficient so that reports could be obtained on regular basis so a focus could be kept on what had been done and any points of improvement.

The Chair felt that too much time had been taken for the service to action any recommendations. A close relationship and communication with the Head of Internal Audit and Risk, was necessary and a report on progress should be submitted within six months.

RESOLVED:

That the update be noted.

## **9. UPDATE FROM THE DIRECTOR OF FINANCE ON USE OF PURCHASE CARDS (VERBAL UPDATE)**

Ms Taryn Eves, Head of Finance, provided a verbal update to the Committee.

The meeting heard:



- The use of a purchase order and an invoice had to be the default mechanism and it was important to challenge the exceptions where purchase cards were used. It was also difficult to claim back any VAT. The number of holders and the amount being spent seemed high for Haringey.
- The improvement action plan was about getting the Council to a better position. It was important to have the right people with purchase cards for the right reasons and that they understood their responsibilities. There was a compliance check that was done each month. The improvement action plan needed to be part of the monthly budget monitoring process. This was where the compliance checks would happen.
- The maximum annual expenditure of £66 million should have been reduced but an update on this would be provided outside of the meeting.
- The number of active purchase cards would be made clear after the data cleansing exercise. It was important to check that certain staff had not left the organisation and, if so, purchase cards would be cancelled. One of the exercises involved checking of purchase cards that had not been used in the last couple of months.

RESOLVED:

That the update be noted.

### **10. VERBAL UPDATE FROM EXTERNAL AUDIT (BDO) ON THE VALUE FOR MONEY AUDIT (VERBAL UPDATE)**

Rachel Britton, BDO, provided a verbal update to the Committee and stated that there had been issues with backlogs amongst a number of councils across the country. Some proposals had been made to regulations and the code of audit practice. This would enable auditors to issue disclaimer opinions on outstanding accounts by 13 December 2024. The outline plan had been discussed with the finance team and disclaimer opinions would be issued on the 2020/21, 2021/22 and the 2022/2023 financial statements. It would set out that audits could not be done in full because of the imposition of the back stop date. There was still a requirement to complete the value for money work on the open years of account. There had been some changes in this to try and help with the backlog and there had been a reduction in scope. For the outstanding years, a focus would be placed on financial sustainability and governance in conjunction with value for money. The work was looking at those two areas across three audits. The regulations also allowed to combine the reporting so one report would be produced that covered all three years for value for money. This was to also recognise that if there were issues, they would likely have come to light.

The work on the value for money had progressed. The report would likely be completed by the end of October 2024. Nothing had been yet identified that needed attention. Any conclusions would be shared with the newly appointed external auditor.

The meeting heard:

- Ms Britton had only recently taken up her position and there appeared to be a good working relationship with the Council. In terms of working papers, the Council was very responsive to any requests. Regular meetings were held to stay on track. In terms of value for money, BDO did not assess whether the Council provided value for money. The external audit looked for arrangements in place to secure value for money. This

meant looking at things in terms of making sure the budget procedures had taken into consideration the assumptions and the variables and that the process was strong enough and was well designed to enable the Council to get the best value for money.

RESOLVED:

That the update be noted.

## 11. TREASURY MANAGEMENT REPORT Q1-2024/25

Mr Tim Mpofu, Head of Finance (Pensions & Treasury), introduced the report.

The meeting heard:

- A 'bail-in exposure' was a circumstance where an organisation like a bank went into bankruptcy before the government stepped in to assist it. This happened during the 2008 financial crisis when a lot of the banks failed and the government ended up buying one of the banks. The Council did not tend to invest with banks.
- A query was raised regarding issues around the volatility of the market. The impact in Haringey was considered to be more severe particularly on layers of people who were unemployed because the number was higher than elsewhere and with people who may potentially lose their homes putting pressure on the Council in terms of housing. In response, the meeting heard that from a treasury perspective, there were two main areas that were considered. Firstly, cash flow patterns were observed - part of any overspend would be part of the cash generation. Secondly, observations would be made on the capital program delivered throughout the year and these informed the level of borrowing that was needed.
- Consideration would be given to decisions from management. Wider finance and any wider cost to the Council would also be considered. This would include any increase in demand such as more people requiring social care and seeking support with housing. This would come through in the monitoring that was done and reported on a quarterly basis. Anything coming to light in terms of increasing demand would be fed into conversations regarding cash flow. Any potential changes would not be so significant as to have an implication on treasury management decisions. The Council was predicting and forecasting accurately. It would be surprising for something that needed immediate action to come through.
- A query was raised in relation to capital projects and if it meant that there would be less revenue coming in possibly causing delays and having an impact on the borrowing. In response, the meeting heard that any delays would reduce the amount needed to be borrowed. The Council's borrowing had been captured on the bottom of page 43 of the agenda papers as part of the capital financing requirement (CFR). Part of the CFR borrowing was internal borrowing which had not yet been exercised. This was something that was used tactically and not currently operational. However, it was something that could be taken advantage of if required. If elements of the capital programme program slowed down, then the requirement to do so would become smaller. It was not directly linked to the revenue because revenue often depended on specific schemes. Some schemes were not schemes that produced revenue.

- Treasury Management was mostly about the Council's investment and borrowing. It was possible to argue that a reduction in the budget provision required more cash available to invest, but it did not directly impact on the decisions and investments that the team made. The budget provision was reported every year and movement was being made to report on it every six months. It would not be explicitly seen in the treasury management reports, but there would be other finance reports where more off- balance sheet items could be found.
- In relation to a query regarding the £50 million balance, the meeting heard that this was an assumption of where, at the beginning of the year, the Council figured its cash balance to be. For example, last year, the Council averaged around £70 million over the course of the year as the Council had received a lot of grants. This year, the Council had not had the same fortune of receiving as many grants. The Council, at the beginning of the year, had about £83 million, but it was becoming apparent that the balance was closer to £30 million. Over the course of the year, the average was expected to be to probably be slightly below the £50 million balance. However, the rates that the Council was still able to invest remained higher. The Council was still expecting to be on budget. There may be room for the Council to underspend on the interest, but this depended on how the rest of the year would progress.

RESOLVED:

1. To note the treasury management activity undertaken during the financial year to 30 June 2024 and the performance achieved which is attached as Appendix 1 to the report.
2. To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

## **12. CORPORATE RISK MANAGEMENT POLICY AND CORPORATE RISK REGISTER**

Mr Minesh Jani, Head of Internal Audit and Risk, introduced the report.

The meeting heard that:

- The 'current' score on the register was taking note of what was in place to manage the risk. The future score was what it would look like if the same thing was continued onwards.
- The Council should be reviewing the risk register every month. This should include directorate risk registers. There would be a future internal audit review coming that linked into financial sustainability. The outcomes of the internal audit review would be examined along with the recommendation and risks on the corporate to ensure that the findings of the audit had been taken into account.
- In reference to 'breach of data' regarding cybersecurity, this referred to any data that the Council held for its own purposes. The type of data tended to include personal data, but if financial data was ever at risk, that could be significant.
- There was a legitimate question to be asked on if the Council was confident its actions would act as a mitigating factor to lower the risk. This would have to be answered by the various services and a report on this would be submitted at a future meeting.

- Steps were being taken to ask staff to comment on the risk register to ensure that as much as possible had been captured. It could never be possible to capture everything, but as much as possible was ideal.
- It would be possible to bring the corporate risk register at future committee meetings.
- As a Council, trying to get assurance around the risk management process provided the opportunity to ask questions about any specific risks on the corporate risk register and it would be possible to look at those risks individually and spend time on specific risks rather than the totality of the risks. There were also directorate risk registers which helped inform corporate risks. Anything at the directorate level whereby the risk needed to be raised more corporately, certain directorates could be asked to manage certain risks. This allowed for queries to be made and to get a broader understanding of the organisation.

RESOLVED:

1. To approve the Council's Corporate Risk Management Policy and Strategy.
2. To note the Corporate Risk Register as at 31 August 2024.

At this point in the proceedings, the Committee agreed to suspend standing orders so that the meeting could finish after 10:00pm.

**13. ANTI - FRAUD & CORRUPTION PROGRESS REPORT 2024/25 - QUARTER 1**

RESOLVED: To note the activities of the team during quarter one of 2024/25.

**14. ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY AND STRATEGY**

Mr Minesh Jani, Head of Internal Audit and Risk, introduced the report.

The meeting heard:

- In relation to a newly proposed law to introduce a duty of candour for public servants, the Council was mindful of legislative developments. After the King's speech, a legislative program was outlined. Such developments were often monitored in Legal services and there was a range of expertise within the team. The directorates themselves received direct updates from the government through various channels. There would be letters from chief officers sharing updates about associated legislative developments.
- Ordinarily, legislative changes were communicated through professional lines including anti-fraud organisations and the Council would work to capture the polices.

RESOLVED:

1. To endorse the Corporate Anti-fraud, Bribery and Corruption Strategy together with the Whistle-blowing Policy and Sanctions Policy.

2. To note that a further policy would be presented for approval at the next meeting.

## **15. PROCUREMENT (VERBAL UPDATE)**

Ms Taryn Eves, Director of Finance, provided a verbal update.

The meeting heard:

- It was thought that the review that was underway would have already been completed.
- The system would support the Council to be compliant with the Procurement Act. It would help with the reporting, procurement and tender processes. It was important to have good compliance with good forward planning. It was also important to take time so that the right system was put in place. It would be useful to outline the lessons learnt. This would be done after a full account was taken.
- The review that was planned was supposed to be short. It was only after the second week of the review was when further questions were asked and it became apparent that more detail was required. The review was still underway and needed to be prioritised.
- The current budget arrangements were over a five-year period. There was a budget implementation and there was a budget for ongoing maintenance. It would be difficult to say that delays in a project did not have any budgetary implications. The Council was still within the overall budget over the five years, but it was difficult to do an accurate forecast until a timeline for delivery and implementation had been outlined.
- The savings that the system implementation was intending to achieve would be included in the upcoming report.
- A new governance process and a Procurement Board would be established whereby any contracts would be carefully examined.
- At the last meeting, the Committee was given a level of assurance that progress would be made, but it needed to be noted that the confidence given at the last meeting was not correct. There was much less confidence in the system than the Committee was led to believe.
- A system was in place which met requirements. The challenge was the new requirements and all the transparency and the notices that needed to be published as per the Procurement Act. The current system, as it stood, would have to make further changes to make it compliant. However, it was fit for purpose at present. The extension of the Act meant that the Council could continue with the current system. Discussions were already underway to put mitigations in place if alternative arrangements needed to be made.
- Progress had been made with the contracts register. A dedicated system was not required to have a complete contracts register. It was important to have an up-to-date contracts register that was capturing every contract. The system in relation managing putting a project out to tender was different and a update of that system would be needed eventually.

RESOLVED:

That the update be noted.

**16. NEW ITEMS OF URGENT BUSINESS**

There were no new items of urgent business

**17. DATES OF FUTURE MEETINGS**

The next meeting would be held on 3 December 2024.

CHAIR: Councillor Erdal Dogan

Signed by Chair .....

Date .....

Corporate Committee – Action Tracker				
Meeting date	Action	Response	Who by	Status
21 September 2023	The meeting felt It would be useful to receive a report on risk management strategy which included an update (or a risk management strategy) on leisure services by the next meeting.	<p>This request is in progress and will be reported to the Audit Committee meeting in Feb/Mar 2024.</p> <p>The Audit Committee received a paper in March setting out the corporate risks and an assurance map setting out details of audits that provided assurances over these risks.</p> <p>A further paper is planned for Oct / Dec meeting with an update of the key corporate risks.</p>	Minesh Jani	Completed
21 September 2023	The formally constituted Corporate Committee received a presentation from the Head of Procurement in September 2022, which was where the actions first arose. At that meeting, the Head of Procurement explained that he wanted to make changes and that those changes would take time including the need for replacement for IT systems that the Council used. Councillors' comments would be raised by the Head of Procurement and he would be asked to review his comments in light of councillors suggestions to see if it was possible to get a rough estimate so that some clarity could be attained regarding the number of tenders that went through. Depending on the threshold of the value of the contracts, the Council was required to follow up the process. It was important for the procurement team to have that information available to them as well. There was large element of work that was ongoing at the moment in terms of what needed to change. It would be helpful to invite the Head of Procurement to the next meeting to give an update on progress.	<p>This request is in progress and will be reported to the Audit Committee meeting in Feb/Mar 2024.</p> <p>The Head of Procurement presented at the Audit Committee in Mar 2024 and is scheduled to attend the Audit Committee in Oct 2024.</p> <p><b>Update (Nov 24)</b> – The Audit Committee continues to receive updates from the service on current actions.</p>	Minesh Jani	Ongoing

18 January 2024	In relation to SAMPIP, it would be possible to share the terms of reference of the property governance structure boards so that the Audit Committee would be able to inspect them. A description of the Boards could be submitted to the Audit Committee.		Jonathan Kirby	Initiated
	A report on the Meanwhile Use and the Co-Location use would circulated to the Committee when it became available.		Jonathan Kirby	
18 January 2024	In terms of implementation and training, there had been a change resource within the project to support this. A whole communication program was being put into place over the next few weeks. The Council had already started, but the more the system was understood the more this understanding could be communicated. The Procurement team would be the main users and there was a further improvement program running alongside the implementation. The Council was looking to integrate the new Procurement Act and the new regulations and communicating this across the organisation. A training programme would be undertaken in relation to this. The system itself had context-sensitive help. When a user was on a screen, the help that was embedded in the system would relate directly to the activity. A further update would be provided at a future meeting regarding how the system had been implemented.	A report is being submitted by Digital Services to July Audit Committee with an update on the implementation of the e-procurement system.	Taryn Eves	Initiated



18 January 2024	A list of risks and mitigation would be provided to the Committee.	This will form part of the July report going to Audit Committee by Digital Services	Taryn Eves	Initiated
18 January 2024	Benchmark data of local spend and number of contracts and information on the Procurement Act would also be provided to the Committee.	A report has been drafted for Audit Committee with data requested. Awaiting legal comments	Taryn Eves	Initiated
18 January 2024	In relation to agency staff, work had been done regarding contract management. However, a more detailed update would be provided to the Committee.	<p>The audit of the contract management arrangements over the Agency Staff contract was assigned “Limited” assurance and the findings shared with the Audit Committee.</p> <p>The Head of Audit will liaise with the Chair of the Audit Committee to determine any further actions / updates.</p> <p><b>Update (Sept)</b> – the service has been asked to provide an update to the Committee on the status of the recommendations raised by internal audit.</p> <p><b>Update (Nov)</b> – The Audit Committee has been sent an update from the service highlighting the status of recommendations</p>	Minesh Jani	Completed
18 January 2024	Regarding Pendarren House, the Council’s risk appetite in this area was very low, so the auditors had been selective of the level of control that the Council wished to see and management had been acting fast in responding. Steps were being taken to deal with the specific issues and monitoring of progress would be dealt with by the key performance indicators. A follow up in the area would be done to make sure the arrangements were robust.	<p>A follow up of this audit will be carried out in this financial year as part of the usual follow up process.</p> <p><b>Update (Sept)</b> – the service has been asked to provide an update to the Committee on the status of the recommendations raised by internal audit. The paper will be shared with the Committee before its next meeting.</p>	<p>Minesh Jani</p> <p>Minesh Jani</p>	<p>Completed</p> <p>Completed</p>

		<b>Update (Nov)</b> – The Audit Committee has been sent an update from the service highlighting the status of recommendations.		
18 January 2024	It was unclear what state the issues that Pendarren House had and therefore a query would be made to the service and an update would be provided to the Committee.	The Assistant Director (Schools) confirmed all actions arising from the audit had been actioned / completed.  Please note comments above.	Minesh Jani	Completed
18 July	Procurement Systems: Part of the reason that the review being undertaken was because there were serious concerns regarding the timetable. This was what the review was looking at. Once the review had been undertaken, it would be possible to take stock of actually where things were in terms of delivering the functionality expected at various points in time. An update would be provided once the review had been completed. The review would be completed by the end of the coming week.		Taryn Eves	Ongoing
18 July	Procurement Systems: The Committee would be informed when the project was initially signed off and funding was afforded and what the monetary benefits would have been.		Taryn Eves	
18 July	At the next Committee, a joint report by Digital Services and Procurement that covered a range of issues with a single update would be submitted.		Taryn Eves	
18 July	Audit Update: In relation to recommendations that had not been implemented which were classified as priority one, two, or three, it would be useful to translate what this meant for the Committee. At the next meeting, the “P1” recommendations	The quarterly internal audit report for the first quarter highlights four priority 1 recommendations were followed and all had been implemented. In future, as noted, details of recommendations will	Minesh Jani	Completed

	which were outstanding specifically would be useful. It would also provide a chance to refresh the recommendations.	be reported to the Audit Committee as part of the usual quarterly report.		
18 July	The cloud strategy status appeared to state that the risk associated had been re-evaluated and the audit was not deemed to be needed at this point. This appeared to be a risk prone approach as cloud services tended to have minimum control. In response, the meeting heard that was an audit in the plan which was about to start to look at the implementation route by which Leisure Services would come back in-house. This was not to review the leisure service in function, but the program in place for the delivery of insourcing leisure functions. The report for this would be submitted to the Committee in October 2024. Risks were high for the cloud strategy, but the audit was pushed out because of all the other audits that were on the plan. This would be brought back into the audit space.	The feedback and comments from the Audit Committee are very helpful and the risks highlighted are noted. An assessment of cloud strategy will form part of the audit planning process for 2025/26 and be reported to the audit committee at its meeting in March.	Minesh Jani	On-going
8 Oct	An update on Pendarren House would be provided in advance of the next meeting and would be circulated to members of the Committee.	<b>Update (Nov)</b> – The Audit Committee has been sent an update from the service highlighting the status of recommendations.	Minesh Jani	Completed
8 Oct	Purchase Cads: The maximum annual expenditure of £6 million should have been reduced but an update on this would be provided outside of the meeting.		Taryn Eves	Completed

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**Report Title:** Update on recent housing audits with limited assurance.

**Report for:** Audit Committee

**Item number:** 8

**Report authorised by:** Jonathan Kirby, Interim Director of Placemaking and Housing

**Lead Officer:** Jahedur Rahman, Operational Director of Housing Services and Building Safety

**Ward(s) affected:** All

**Report for Key/Non-Key Decision:** For information.

## 1. Recommendations

That the report be noted.

## 2. Describe the issue under consideration.

2.1 This report provides Audit Committee with details of the progress made by Housing Services in implementing the key recommendations of the recently completed Housing Services audits conducted by Mazars, the Council's independent internal auditors, which received a limited assurance rating. The relevant audit areas are as follows:

- Right to Buy
- Tenancy Management
- Damp and Mould.

2.2 The report provides a summary of the key issues and unmitigated risks for each audit. It also provides updates on progress against both Fundamental and Significant recommendations. It should be noted that as the audits are quite recent, and a number of recommendations are complex and have completion dates set some way in the future, as expected, progress to date is relatively limited in some areas.

## 3. Right to Buy

3.1 The areas reviewed in this audit were:

- Policies, procedures and enquiry response times
- Assessment of Right to Buy applications
- Compliance with Right to Buy requirements.

- Discounts on sales
- Cost floor calculations
- Money laundering training
- Sales receipt reconciliations.
- Notifications for buybacks.

3.2 There were three recommendations, one of which was Fundamental, and 2 x Housekeeping recommendations.

3.3 In respect of the one Fundamental recommendation:

**Delayed Section 125 (statutory) notices to Right to Buy (RTB) applicants – management update October 2024**

The Assistant Director of Capital Programme and Property has confirmed that the backlog position has improved, and external valuers have been procured that the Homeownership Team can instruct if unable to produce valuations internally in the future. There were 49 outstanding RTB valuations in September 2024, 23 of which were received since July, and 26 of the longer standing ones. The Homeownership team and the internal valuers meet monthly to monitor performance and compliance with statutory deadlines.

#### **4. Tenancy Management**

4.1 The areas reviewed in this audit were:

- Tenant data on NEC (the housing IT system)
- Tenant interactions
- Tenancy audits
- Identifying tenancy fraud
- Granting of tenancies.

4.2 7 recommendations were made, of which: 0 x Fundamental recommendations; 5 x Significant recommendations; and 2 x Housekeeping recommendations.

4.3 In respect of the Significant recommendations:

**Completion of tenancy audits - management update October 2024**

2 out of the 3 new visiting officers have been recruited with the focus on clearing the backlog. Progress is being made in terms of case closures with the aim of clearing these by the end of Q3. Seniors will triage and allocate the highest risk properties to the extra resources.

**Triaging fraud related audits for completion - management update October 2024**

The fraud team have shared access to the Housing system NEC and provide advice to Tenancy Management on the level of risk. The Heads of Service for Tenancy Management and Audit and Risk Management are meeting at the end of October to discuss risk among other issues. For the next year's tenancy audits, fraud will be incorporated as part of the existing risk matrix.

#### **Formal training/support on completion of tenancy audits and the identification of fraud - management update October 2024**

The Fraud Team have attended the Tenancy Management team meeting to give an overview of the service and how to identify risk. A plan will be put in place to address individual training needs. The Heads of Service for Tenancy Management and Audit and Risk are meeting on 30.10.24 to identify risks and further training. Seniors will also carry out spot checks and the results of these discussed at 121's.

#### **Policies are outdated and lack key procedures - management update October 2024**

The Tenancy Management Policy is scheduled to be considered by the Residents Voice Board in December and by Cabinet in January 2025.

### **5. Damp and Mould**

#### **5.1 The areas reviewed in this audit were:**

- Identification, management and remediation
- Property data
- Complaints
- Reporting
- Risk management.

#### **Recommendations and management response (actions)**

#### **5.2 3 x Category 1 (Fundamental) Recommendations were made by Mazars. These covered damp and mould cases, root cause analysis and complaints. The details of the recommendations, the management response (actions), and the status in relation to these as of October 2024 are set out below:**

#### **Damp and mould cases - management update October 2024**

- A new Damp and Mould case management (CRM) system was established in the Granicus IT system in Feb 24 for all new cases, replacing the previous tracker. Further work is underway to link it up with the housing system NEC and Total Mobile Connects. The introduction of the new system has created a method of reporting and monitoring of damp and mould cases against the agreed process timescales in the Damp and Mould policy. This allows the

storage of documentation and photographs from relevant stages of the damp and mould process. It also allows the recording of cases where damp and mould has been found not to be present.

- The Damp and Mould team have been working with the Disrepair team to ensure quicker resolutions for customers and aid the wider process to achieve the audit's recommendations.

#### **Root cause analysis - management update October 2024**

- The Housing Repairs team have a team of surveyors which carries out inspections of all properties that have reported damp and mould and provides reports containing details of the cause and root issue in cases where that can be established. These reports include photos, descriptions, scope of works and any recommendations to the customer. Where damp and mould is discovered the team complete a wash/treatment to remove the hazard and if the report has identified further works to remove the risk of recurrence the works are picked up either by responsive repairs service or if more complex works are required, they are passed to a contractor to remedy.
- Damp and mould sensor pilot options have been explored and will be part of the role of the new Commercial Manager when recruited to implement.

#### **Complaints - management update October 2024**

- There is no categorisation for damp and mould cases on the Corporate complaints system at present. The Council is implementing a new Corporate complaints system in the future, and this will form part of the requirements for the new system. Corporate complaints are managed by the Customer Feedback Team which sits outside of the Housing Repairs Service (HRS) and it has been agreed to manage complaints through the Council's RESPOND complaints system until such changes are introduced.
- A specific review of complaints has not been completed within the agreed timescale. This will be prioritised for completion before the end of November 2024. The regular review of complaints within Housing Repairs management meetings with involvement from all senior managers has helped get a better understanding of themes and areas where improvements are needed. The review will include Corporate complaints colleagues to ensure that each level of the complaints system is covered.
- The HRS Complaints Manager is looking into the development of a system which facilitates the review of trends across HRS including damp and mould to share findings and discuss trends. This will be progressed initially for Stage 2 cases and then extended to Stage 1 and Ombudsman cases. Trends are currently discussed within management meetings.



- 5.3 Six Significant recommendations were made in respect of roles and responsibilities, training monitoring, tenants' feedback, a reporting protocol, reporting to management, and a risk register. The recommendations, actions and the status in relation to these as of October 2024 are set out below.

#### **Roles and responsibilities - management update October 2024**

There is a specific Damp and Mould team dedicated to managing the risk with this process and there is a Damp and Mould policy and guidance for people working within the team. Further actions are ensuring that all of the team from frontline operatives and back-office support staff are familiar with the process and have access to appropriate literature to share with customers.

#### **Training monitoring - management update October 2024**

- There is a dedicated section in the Repairs handbook on damp and mould and this is now available on the Council's website.
- The Training Manager post will be advertised in January 2025.

#### **Tenants' feedback - management update October 2024**

- Quarterly lessons learned sessions have been completed by the Housing Complaints team with the Housing Repairs management team with specific cases identified to enable a comprehensive review of the issues, process and outcomes and then discuss improvements. Feedback e-mails are also shared at the end of all complaints process with specific recommendations for improvement.
- 'My conversation' documents and meetings include a training and development section where any training needs are recorded and monitored through to completion. Team talks are also completed to allow staff to discuss training needs and to build a better understanding of the specific requirements for each role.

#### **Reporting protocol - management update October 2024**

- Damp and mould communications are shared on the Council's website and within our internal literature. Frontline teams have technology which enables them to report any concerns including damp and mould which is managed by the Damp and Mould team and processed within the Damp and Mould process.
- A 6-weekly update with operatives includes re-enforced messaging, all other management meetings include a damp and mould update/discussion and include messaging about reporting and management of new/existing cases.
- A new CRM IT system has been developed to include all contact with customers regarding damp and mould issues. Full roll-out is expected by March 2025

### **Reporting to management - management update October 2024**

- Damp and mould case numbers and performance information are reviewed at the monthly Repairs Performance Improvement Board, for which there is an action log and meeting documents are recorded.
- All performance dashboards are completed by Tuesday of each week with discussion at weekly management meetings and escalation of information to senior team with commentary.

### **Risk register - management update October 2024**

A specific risk register is being developed by each team within the Housing Repairs Service and will be updated and reviewed each month.

## **6. Quarterly monitoring**

- 6.1 Quarterly monitoring of progress of delivery of Housing Services audit recommendations and actions is carried out by the Transformation team on behalf of the Operational Director of Housing Services and Building Safety. This is reported to the Housing Services senior management team meeting on a quarterly basis to enable remedial action to be taken as appropriate.

## **7. Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes?**

By delivering improvements to housing conditions and services Housing Services and Building Safety are contributing to meeting Theme 5 of the Corporate Delivery Plan – Homes for the Future.

## **8. Carbon and Climate Change**

**N/A**

## **9. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)**

### **9.1. Finance and Procurement**

#### **Finance**

Finance notes the audit findings and recommendations in this report. This report on its own does not have any financial implication. However, the implementation of any recommendation might have financial implication. It is expected that such will be contained within the already approved budget /virement from HRA reserve. Approval for such spend will be subject to the usual governance process.

## **Procurement**

Strategic Procurement note the contents of this report and the support required in respect of procurements relating to the damp and mould sensors and remediation.

### **9.2. Head of Legal & Governance**

The Assistant Director of Legal and Governance has been consulted in the preparation of the report and has no objection to the report progressing.

### **9.3. Equality**

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advance equality of opportunity between people who share those protected characteristics and people who do not.
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/fait, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

The proposals outlined in this report to reduce and prevent damp and mould in Council homes in Haringey will have a positive impact on residents from Black, Asian and other ethnic minority backgrounds, older people, disabled people, women and low-income households because these groups are disproportionately represented among current Council tenants. In addition, many of these groups are more likely to be affected by issues which can cause or exacerbate damp and mould, including fuel poverty and overcrowding. Therefore, the proposals will help to address health inequalities which arise from poor housing.

The recommendation regarding meeting statutory deadlines for Right to Buy applicants is not anticipated to have any equalities impacts on groups with protected characteristics.

If the proposals to reduce tenancy fraud result in an increase in the supply of available Council housing, they have the potential to positively impact groups with the highest level of housing need. This would help

homeless Haringey residents, a disproportionate number of whom are Black or LGBT (the latter specifically the case amongst the homeless youth).

**10. Use of Appendices**

None

**11. Background papers**

None

Report for: Audit Committee – 3 December 2024

Item number: 9

Title: Internal Audit Progress Report 2024/25 – Quarter 2

Report authorised by: **Director of Finance**

Lead Officer: Minesh Jani, Head of Audit and Risk Management  
Tel: 020 8489 5973  
Email: [minesh.jani@haringey.gov.uk](mailto:minesh.jani@haringey.gov.uk)

**Ward(s) affected: N/A**

**Report for Key/**

**Non Key Decision: N/A**

**1. Describe the issue under consideration**

- 1.1 This report details the work undertaken by Internal Audit for the period 1 September to 30 October 2024 and focuses on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised – work undertaken by the external provider (Forvis Mazars).

**2. Cabinet Member Introduction**

- 2.1 Not applicable.

**3. Recommendations**

- 3.1 The Audit Committee is recommended to note the audit coverage and follow up work completed.

**4. Reasons for decision**

- 4.1 The Audit Committee is responsible for monitoring the completion of the annual internal audit plan and the implementation of agreed recommendations as part of its Terms of Reference.
- 4.2 In order to facilitate this, progress reports are provided on a regular basis for review and consideration by the Audit Committee on the work undertaken by the Internal Audit Service in completing the annual audit plan. Where further action is required or recommended, this is highlighted with appropriate recommendations for the Audit Committee.

**5. Alternative options considered**

5.1 Not applicable.

**6. Contribution to the Corporate Delivery Plan 2024-2026 High level Strategic outcomes'**

6.1 The internal audit work makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key corporate objectives.

**7. Carbon and Climate Change**

7.1 There are no direct Carbon implications arising from this report.

**8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Legal and Governance, Equalities)**

8.1 Finance and Procurement

**Finance**

There are no direct financial implications arising from this report. The work completed by Forvis Mazars is part of the framework contract which was awarded to the London Borough of Croydon to 31 March 2026, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. The maintenance of a strong internal audit function and a proactive and reaction fraud investigation team is a key element of the Council's system of Governance.

**Procurement**

Strategic Procurement note the contents of this report and have been consulted on the relevant audits where required. Actions arising related to procurement and the letting of contracts are contained within the relevant audit reports and will be actioned accordingly.

8.2 **Assistant Director of Legal & Governance - Benita Edwards Head of Legal Services**

The Assistant Director of Legal and Governance has been consulted in the preparation of this report and advises that there are no direct legal implications arising from the report.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil

partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;

- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

As contracted providers of Haringey Council, the internal audit contractor is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010. Ensuring that the Council has effective internal audit and assurance arrangements in place will also assist the Council to use its available resources more effectively.

## 9. Use of Appendices

Appendix A – Forvis Mazars Progress Report – Internal Audit

## 10. Background Information

None

## 11. Performance Management Information

- 11.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management. Table 1 below shows the targets for each key area monitored and gives a breakdown between the quarterly and cumulative performance.

**Table 1 – Performance Indicators**

Ref.	Performance Indicator	1 Sep – 31 Oct 24	Year to date	Year-end Target
1	Internal Audit work (Forvis Mazars) – Days Completed vs. Planned programme	18%	40%	95%
2	Priority 1 recommendations implemented at follow up	N/A	100% *	95%

## 12. Internal Audit work – Forvis Mazars

- 12.1 The activity of Forvis Mazars for the first period of 2024/25 is detailed at Appendix A. Forvis Mazars planned to deliver 330 days of the annual audit plan (800 days) during the period (to 31 Oct 2024) and delivered 316.5 days audit work during this period. There has been some change to the audit plan to reflect the changing priorities within the Council and there is a separate report of the changes as part of my annual audit report to the Audit Committee's elsewhere on the agenda.

12.2 Members of the Audit Committee receive detailed summaries of all projects for which a final report has been issued to allow for any concerns which members may have to be considered in a timely manner. Appendix A provides a list of all final reports which have been issued since the start of the financial year. Since the last Audit Committee meeting in July, six internal audit reports have been issued. Those audit areas where the level of assurance is low are detailed below.

### 12.3 Significant issues arising in Quarter 2

In this period, there were five final internal audit reports; one was assigned “Substantial Assurance,” one was assigned “Adequate Assurance” and three were assigned “Limited Assurance.” The audit area, nature of the service and key residual risks arising from audit review with “Limited Assurance” are noted below.

#### **Delivery of Savings – “Limited” Assurance**

Due to the reduced government funding and increased costs and demand, it is common for Local Authorities to adopt a savings programme, often through a Medium-Term Financial Strategy (MTFS). The Council is in line with peers through its’ four or five-year MTFS which aims to provide financial sustainability to the Council’s projected budget through the implementation of savings proposals and contingency planning. As part of the 2024/25 budget week which took place in June 2024, stakeholders were briefed on the national and local economic context and had been provided with spending comparisons with other local authorities.

The Council has sought to use the budget week as a focal point to identify its savings with discussions happening at a senior level across all directorates. The delivery of savings is monitored monthly by the directorates and Finance Business Partners, with oversight from the Corporate Leadership Team. A Finance Business Partner is allocated to each directorate, and they provide financial management advice and strategic support to budget holders in the delivery of savings proposals. Savings plans are reported on monthly by Finance Business Partners via the MTFS tracker and a summary of the total savings for each directorate is included in the monthly Corporate Leadership Team report. For a sample of five savings plans from the 2024/2025 MTFS Tracker the audit confirmed the savings had been reported on in period two. The key risk that remains is the level of savings needed have not been identified, and for the savings that have been identified, the audit noted a full risk assessment over their delivery was not evidenced.

The audit highlighted the following key areas of risk:



- A RAG status is not assigned to all savings proposals on the MTFs Tracker and actions to address the risk are missing for Red and Amber RAG statuses; and
- Savings Proformas (business cases) are not reviewed or updated periodically.

The auditors raised four recommendations; three “priority 2” and one “priority 3” recommendation.

### **Staff Performance – “Limited” Assurance**

Managing staff performance is crucial for several reasons and effective management of staff performance benefits the Council and supports employees in achieving their personal and professional goals. Putting in place effective performance management of staff will deliver a range of benefits, including: -

- Enhancing productivity by helping to identify strengths and weaknesses, allowing for targeted improvements that boost overall productivity;
- Setting clear goals, fostering a sense of purpose and direction among employees;
- Encouraging development from regular feedback and performance reviews;
- Increasing engagement with employees feeling more valued and engaged;
- Boosting morale by creating a positive workplace culture.

The audit noted that the need for a standardised process to monitor, record and oversee the management of staff performance. Well performing peers tend to use a hybrid approach between quarterly/annual performance reviews and regular one-to-one check ins / development conversations between line managers and direct reports to address performance, development, and any wellbeing concerns on an ongoing basis. It was noted that although, the MyConversations process exists, staff are not held to account to complete MyConversations and there is no consistent evidence demonstrate that MyConversations are taking place at the four to six week interval.

The audit highlighted the following key areas of risk:

- Absence of a standardised or approved performance management framework;
- Lack of monitoring and reporting on the completion of MyConversations as the system functionality does not permit automated controls to monitor completion of the MyConversations and a manual oversight process has been deemed a strain on resources; and
- Clarity over the formality or otherwise of the MyConversations process.

The auditors raised five recommendations; three “priority 1”, one “priority 2” and one “priority 3”.

### **New Operating Model – Procurement Act 2023 – “Limited” Assurance**

The Procurement Act 2023 is one of the largest shake ups to procurement rules in the UK’s history, creating a single regime for public procurement in England, Wales and Northern Ireland. The Act intends to make the UK’s public procurement regime “quicker, simpler, more transparent.” The Act ‘goes live’ on the 24 February 2025. A fundamental change is that the Act introduces the “most advantageous tender” rather than the “most economically advantageous” contractor.

It is anticipated that the act will require authorities to plan well in advance in preparation to go to tender. More time will be required to conduct a procurement activity. All procurement activity will need to be registered on the procurement pipeline and pipeline notice will need to be published via central digital platform. Each procurement will be given a unique identifier ID, which will give greater emphasis on transparency and small and medium size enterprises. Moreover, the Act will cover ‘whole life cycle’ from planning to contract management. It is envisaged this life cycle approach will ensure procurement activities are efficient, transparent, and aligned with the overarching goals of public service and accountability.

The Act underscores the importance of transparent decision-making processes and clear documentation of how VfM was considered and achieved in each procurement. In alignment with the Act, the audit concluded that the Council is making progress to implement these practices when the Act becomes effective. The draft Contract Standing Orders outline the responsibilities for specific parts of the procurement process based on the contract value, ensuring compliance with the new legislative requirements.

The audit highlighted the following key areas of risk:

- The authority had not established a formal training programme which identifies staff, and the level of training required for the Procurement Act 2023;
- A documented framework for understanding which procurement regime will best suit the requirements of the relevant services had not been established;
- The foundational elements of Council’ Contract Standing Orders need to be finalised;
- Risk assessment and management as part of procurement activities are an integral component of VfM, encouraging a balanced approach to risk allocation between the Council and suppliers. The audit noted that while the Council is making progress, the introduction of documents such as a Procurement Framework and Training Programme will equip officers to make optimal decisions.

The auditors raised three recommendations, all “priority 2”.



# **LONDON BOROUGH OF HARINGEY**

## **Audit Committee – November 2024**

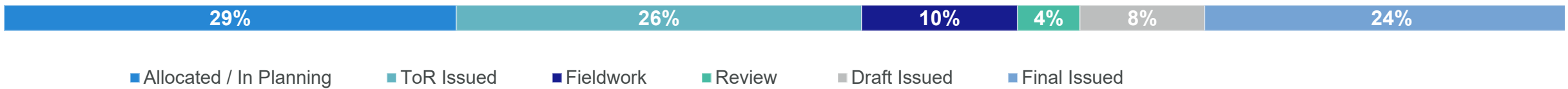
### **Forvis Mazars Internal Audit Progress Report**

Date Prepared: November 2024

Strictly private and confidential

# 1. Snapshot of Internal Audit Activity

Below is a snapshot of the current position of the delivery of the 2024/25 Internal Audit Plan.



**Audit Committee decision needed**

- Note the progress being reported and consider final reports included separately in the paper pack.

**RAG status of delivery of plan to timetable**

**On Track**

**Key updates**

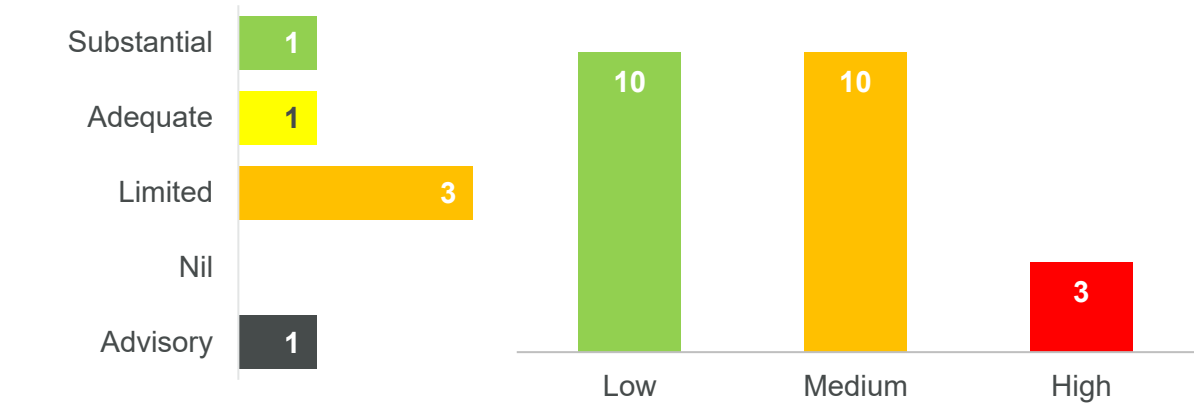
Progress in respect of the 2024/25 Plan is in line with the expectations at this stage of the year.

The responses to the draft report for **Finance Assessment of Clients, Scheme of Delegation** and **Leisure Services Insourcing** are overdue.

We continue to meet with the Head of Internal Audit and Deputy Head of Internal Audit regularly, with the last meeting held on 23 October 2024.

An overview of the Internal Audit Plan can be found in Section 3.

Assurance opinions in reporting period    Audit recommendations in reporting period



## 2. Latest Reports Issued – Summary of Findings

Since our last update, we have issued our final report relating to our review of the Arrangements for LADO from the 2024/25 Plan. A summary of our most significant findings and the root cause(s) of issues is included below.

### Your One Page Summary

**Audit Objective:** to assess the key systems and controls in relation to the arrangements for the Local Authority Designated Officer (LADO).

Audit rationale			
Why the Audit is in Your 2024/25 Plan		Your Strategic Risk	
To provide assurance that appropriate controls are in place for the LADO service.		Children at risk are not managed appropriately.	
Summary of our opinion			
<div>Substantial</div> <div>X</div>		Summary of Finding	
		High (Priority 1)	-
		Medium (Priority 2)	-
		Low (Priority 3)	2
		Actions agreed	100%
		Priority 1 completion	N/A
		Overall completion	October 2024
Summary of findings			
Examples of good practice		Low Priority Findings	
✓ Referrals are allocated to LADO officers in a timely manner i.e., within 24 hours		• Time taken to allocate cases to the LADO are not reported on	
✓ Documents related to our sample of ten LADO allegations are retained on a shared drive which is access restricted		• LADO procedures are not up-to date	
		Key root causes	
		• Reporting on time taken to allocate cases to the LADO has not been considered	
		• Lack of capacity	



## 2. Latest Reports Issued – Summary of Findings

Since our last update, we have issued our final report relating to our review of Planning from the 2024/25 Plan. A summary of our most significant findings and the root cause(s) of issues is included below.

### Your One Page Summary

**Audit Objective:** to assess the design and effectiveness of key systems and controls in relation to the management of planning applications.

</

## 2. Latest Reports Issued – Summary of Findings

Since our last update, we have issued our final report relating to our review of the Governance over Delivery of Savings from the 2024/25 Plan. A summary of our most significant findings and the root cause(s) of issues is included below.

### Your One Page Summary

**Audit Objective:** to assess the design and effectiveness of key systems and controls in relation to the Governance over Delivery of Savings.

We note that we have not provided assurance on whether the Council will or will not achieve its' MTFS goals but rather the control framework in place to meet those goals.

Audit rationale			
Why the Audit is in Your 2024/25 Plan		Your Strategic Risk	
It is a significant part of the Council's financial processes		Failure to delivery savings	
Summary of our opinion			
<div>Limited</div> <div><div></div><div></div><div>X</div><div></div></div>		Summary of Findings	
		High (Priority 1)	0
		Medium (Priority 2)	3
		Low (Priority 3)	1
		Actions agreed	100%
		Priority 1 completion	NA
		Overall completion	31 October 2024
Summary of findings			
Examples of good practice		Medium Priority Findings	
<ul style="list-style-type: none"><li>A Medium Term Financial Strategy (MTFS) Tracker for 2024/2025 – 2028/2029 is maintained and it details the individual savings proposals that contribute to the overall savings target for each of these years</li><li>Savings Proformas are utilised with each savings plan and they include a summary of the key risks and mitigations related to delivering the savings plan</li></ul>		<ul style="list-style-type: none"><li>A RAG status is not assigned to all savings proposals on the MTFS Tracker and actions to address are missing for Red and Amber RAG statuses</li><li>Savings Proformas (business cases) are not reviewed or updated periodically</li></ul>	
		Key root causes	
		<ul style="list-style-type: none"><li>Focus on delivering the savings plans instead of complying with the governance process which sits behind the delivery</li><li>There is no requirement for reviewing and updating Savings Proformas periodically</li><li>No documented process for how benchmarking should be documented</li></ul>	

## 2. Latest Reports Issued – Summary of Findings

Since our last update, we have issued our final report relating to our review of the Management of Staff Performance from the 2024/25 Plan. A summary of our most significant findings and the root cause(s) of issues is included below.

### Your One Page Summary

**Audit Objective:** To ascertain if there are effective controls in place around the management of staff performance.

Audit rationale													
Why the Audit is in Your 2024/25 Plan	Your Strategic Risk	Your Strategic / Tactical Objective											
To ensure staff performance is managed consistently across all services.	Staff performance is not monitored or recorded, causing poor performance to not be addressed and good performance not rewarded.	Recruit and maintain a high-quality workforce.											
Summary of our opinion													
<div>Limited</div>		Summary of Findings											
		<table><tr><td>High (Priority 1)</td><td>3</td></tr><tr><td>Medium (Priority 2)</td><td>1</td></tr><tr><td>Low (Priority 3)</td><td>1</td></tr></table>	High (Priority 1)	3	Medium (Priority 2)	1	Low (Priority 3)	1	<table><tr><td>Findings agreed</td><td>100%</td></tr><tr><td>Priority 1 completion</td><td>July 2025 and 2027/28</td></tr><tr><td>Overall completion</td><td>2027/28</td></tr></table>	Findings agreed	100%	Priority 1 completion	July 2025 and 2027/28
High (Priority 1)	3												
Medium (Priority 2)	1												
Low (Priority 3)	1												
Findings agreed	100%												
Priority 1 completion	July 2025 and 2027/28												
Overall completion	2027/28												
<div><div></div><div></div><div>X</div><div></div></div>													
Summary of findings													
Examples of good practice	Highest Priority Findings	Key root causes											
<div><div>✓</div> There is guidance on the intranet on how to conduct MyConversations (the Council's approach to performance conversations).</div> <div><div>✓</div> Guidance for the capability process used to manage poor staff performance is in place.</div>	<div><div>•</div> Absence of a standardised or approved performance management framework.</div> <div><div>•</div> No monitoring and reporting on the completion of MyConversations.</div>	<div><div>•</div> Previous Council culture to keep the MyConversations process informal.</div> <div><div>•</div> System functionality does not permit automated controls to monitor completion of the MyConversations and a manual oversight process has been deemed a strain on resources.</div> <div><div>•</div> Non-compliance with the Capability at Work Policy and there are no checks on reporting data.</div>											



## 2. Latest Reports Issued – Summary of Findings

Since our last update, we have issued our final report relating to our review of the New Operating Model – the Procurement Act from the 2024/25 Plan.

A summary of our most significant findings and the root cause(s) of issues is included below.

### Your One Page Summary

**Audit Objective:** to assess whether LBH has in place adequate and appropriate policies, procedures and controls to manage the New Operating Model – New Procurement Act 2023.

Audit rationale			
Why the Audit is in Your 2024/25 Plan		Your Strategic Risk	
The new Procurement Act (the Act) is due to go live from February 2025.		Failure to comply with the New Procurement Act.	
		N/A	
Summary of our opinion			
<div>Limited</div>		Summary of Finding	
<div><div></div><div></div><div>X</div><div></div></div>		High (Priority 1)	-
		Medium (Priority 2)	3
		Low (Priority 3)	-
		Findings agreed	100%
		Priority 1 completion	N/A
		Overall completion	April 2025
Summary of findings			
Examples of good practice		Medium Priority Findings	
<div><div>✓</div><div>The Council have used a combination of the Procurements Pipeline and Contract Register to ensure that a review of all current and planned commercial pipelines are undertaken ahead of the Act coming into force</div></div> <div><div>✓</div><div>The Contract Standing Orders (CSO's) define that the ownership for publishing pipeline notices for contracts over £2 million is allocated to the Chief Procurement Officer</div></div> <div><div>✓</div><div>The CSO's define the role of the Strategic Procurement team in initiating and reviewing the commercial pipeline</div></div>		<div><div>•</div><div>The Council have not established a formal training programme which identifies <u>staff</u> and the level of training required for the Procurement Act 2023</div></div> <div><div>•</div><div>No documented framework for understanding which procurement regime will best suit the requirements of the relevant services</div></div>	
		Key root causes	
		<div><div>•</div><div>The deployment of end-user training has been postponed until the foundational elements of CSO's are finalised</div></div> <div><div>•</div><div>There are different procurement routes/regimes that have not yet been tailored to the categories of goods and services</div></div>	

### 3. Overview of Internal Audit Plan 2023/24

The table below lists the status of all reviews within the 2023/24 Plan.

Review	Original Days	Revised Days	Audit Sponsor	Status	Start Date	Assurance Level	Total	High	Medium	Low
Residential Placements (2022/23)	10	15	Director of Children's Service	Final Report	May-23	Nil	10	2	6	2
Commercial Property	10	15	Director of Placemaking & Housing	Final Report	Jun-23	Limited	16	6	6	4
Children In Care	10	10	Director of Children's Service	Final Report	Jan-24	Limited	5	1	3	1
Policies around Damp and Mould	10	10	Director of Placemaking & Housing	Final Report	Jan-24	Limited	11	3	6	2
Regeneration of Canning Crescent / Osbourne Grove	10	10	Director of Placemaking & Housing	Final Report	Mar-24	Adequate	3	0	2	1
HCBS audit	20	16	Director of Placemaking & Housing	Final Report	Mar-24	Limited	3	0	2	1
HFH audit	20	16	Director of Placemaking & Housing	Final Report	Mar-24	Limited	8	0	5	3
Management of Council Purchase Cards (including how we want to use them)	12	12	Director of Finance	Final Report	Apr-24	Limited	3	1	2	0
Tenancy Management	10	10	Director of Placemaking & Housing	Final Report	Apr-24	Limited	12	0	5	7
Homeownership Service	7	10	Director of Placemaking & Housing	Final Report	Mar-24	Limited	3	1	0	2
Follow up Actions from Property Improvement Plan	8	8	Director of Placemaking & Housing	Final Report	Apr-24	N/A	-	-	-	-
Coroner's Service	10	10	Monitoring Officer	Draft Report	Jul-23					
Totals	137	142				Totals	74	14	37	23

### 3. Overview of Internal Audit Plan 2024/25

The table below lists the status of all reviews within the 2024/25 Plan that have a status of draft terms of reference (ToR) issued or beyond.

Review	Audit Sponsor	Status	Start Date	Date Finalised	Audit Committee	Assurance Level	Total	High	Medium	Low
Management of FOIs	Director of Culture, Strategy & Engagement	Final Report	June 2024	August 2024	September 2024	Adequate	5	0	2	3
Financial Assessment of Clients	Director of Adults, Health & Communities	Draft Report	June 2024							
Implementation of Panacea	Director of Finance	Review (Paused)	June 2024							
Arrangements for LADO	Director of Children's Services	Final Report	June 2024	October 2024	December 2024	Substantial	2	0	0	2
Governance over Delivery of Savings	Director of Finance	Final Report	July 2024	September 2024	December 2024	Limited	4	0	3	1
Support for Children provider payments process	Director of Children's Services	Fieldwork (extra work)	July 2024							
Leisure Services Insourcing (pre-implementation)	Director of Environment & Resident Experience	Draft Report	July 2024							
Management of Staff Performance	Chief People Officer	Final Report	July 2024	September 2024	December 2024	Limited	5	3	1	1
Birchtree Landlords Fact Finding	Director of Environment and Resident Experience	Final Report	August 2024	September 2024	December 2024	N/A	-	-	-	-
Birchtree	Director of Culture, Strategy & Engagement	Fieldwork	August 2024							
Lettings Fact Finding	Director of Placemaking & Housing	Fieldwork	August 2024							
New Operating Model - the Procurement Act	Director of Finance	Final Report	August 2024	October 2024	December 2024	Limited	3	0	3	0
Scheme of Delegation	Director of Finance	Draft Report	August 2024							
Management, Monitoring and Collection of Income in Council	Director of Finance	Draft Report	August 2024							

### 3. Overview of Internal Audit Plan 2024/25

The table below lists the status of all reviews within the 2024/25 Plan that have a status of draft terms of reference (ToR) issued or beyond.

Review	Audit Sponsor	Status	Start Date	Date Finalised	Audit Committee	Assurance Level	Total	High	Medium	Low
Planning	Director of Placemaking & Housing	Final Report	September 2024	October 2024	December 2024	Adequate	4	0	1	3
Corporate Performance and Intelligence Service	Director of Culture, Strategy & Engagement	Fieldwork	September 2024							
Management over Hospitality and Gifts	Director of Finance	Draft Report	September 2024							
Treasury Management	Director of Finance	Fieldwork	October 2024							
Management of Council Tax Reduction Scheme	Director of Environment & Resident Experience	Fieldwork	October 2024							
Review and Management of Off Contract spend	Director of Finance	Fieldwork	October 2024							
Future Design of Waste Services	Director of Environment & Resident Experience	Draft ToR	November 2024							
Deprivation of Liberty	Director of Adult Social Services	Draft ToR	November 2024							
Management of Green Haringey	Director of Environment & Resident Experience	Draft ToR	November 2024							
Cyber Governance and Risk Management		Draft ToR	November 2024							
IT Change and Problem Management		Draft ToR	December 2024							
Accounts Receivable (Sundry Debtors)	Director of Finance	Draft ToR	January 2025							
Recycling	Director of Environment & Resident Experience	Final ToR	February 2025							

### 3. Overview of Internal Audit Plan 2024/25

The table below lists the status of all reviews within the 2024/25 Plan that have a status of draft terms of reference (ToR) issued or beyond.

Review	Audit Sponsor	Status	Start Date	Date Finalised	Audit Committee	Assurance Level	Total	High	Medium	Low
Regulatory and Enforcement Services	Director of Environment & Resident Experience	Draft ToR	March 2025							
Management of Community Assets	Director of Placemaking & Housing	Draft ToR	March 2024							
Contract Management	Director of Finance	Draft ToR	March 2024							
Noel Park Pods	Director of Placemaking & Housing	Draft ToR	TBC							
Capitalisation	Director of Finance	Draft ToR	TBC							
Admissions Process	Director of Children's Services	Cancelled								
Children's Services Debt Recovery	Director of Children's Services	Cancelled								
Youth Offending	Assistant Director for Safeguarding and Social Care	Cancelled								
Source to Pay Implementation Review		Cancelled								
Business Case Review – SAP		Cancelled								
Partening Contract	Director of Placemaking & Housing	Cancelled								
Management of Garages	Director of Placemaking & Housing	Cancelled								
Implementation of the Corporate Property Model (Incl recommendations from Independent review)	Director of Placemaking & Housing	Cancelled								

### 3. Overview of Internal Audit Plan 2024/25

The table below lists the status of all reviews within the 2024/25 Plan that have a status of draft terms of reference (ToR) issued or beyond.

Review	Audit Sponsor	Status	Start Date	Date Finalised	Audit Committee	Assurance Level	Total	High	Medium	Low
Follow up of Delivery of the Housing Improvement Plan	Director of Placemaking & Housing	Cancelled								
						Totals	23	3	10	10

## Forvis Mazars

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### Statement of Responsibility

We take responsibility to London Borough of Haringey for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterperatation amendment and/or modification by any third party is entirely at their own risk.

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**Report for:** Audit Committee - 3 December 2024

**Item number:** 10

**Title:** Anti – Fraud and Corruption Progress Report Quarter 2 2024/25

**Report authorised by:** Taryn Eves – Director of Finance

**Lead Officer:** Minesh Jani – Head of Audit & Risk Management  
Minesh.Jani@Haringey.gov.uk  
07817 617839

**Ward(s) affected:** N/a

**Report for Key/  
Non-Key Decision:** N/a

**1. Describe the issue under consideration**

This report details the work undertaken by the in-house resources in the Audit and Risk team and communicates a second update on completion of the work plan for 2024/25.

**2. Cabinet Member Introduction**

Not Applicable.

**3. Recommendations**

The Audit Committee is recommended to note the activities of the team during quarter two of 2024/25.

**4. Reasons for decision**

The Audit Committee is responsible for monitoring the effectiveness of the policies on Anti-Fraud and Corruption and receiving assurance with regard the Council's internal control environment and mechanisms for managing fraud risk. To facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Audit Committee with regards Anti-Fraud & Corruption.

**5. Alternative options considered**

Not Applicable.

**6. Background information**

The information in this report has been compiled from information held by Audit & Risk Management.

**7. Contribution to the Corporate Delivery Plan 2024-2026 High level Strategic outcomes.**

The Audit & Risk team makes a significant contribution through its pro-active work in ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all strategic priority outcomes.

**8. Carbon and Climate Change**

There are no direct financial implications arising from this report.

**9. Statutory Officers comments (Director of Finance (procurement), Assistant Director of Legal and Governance, Equalities)**

**Finance**

There are no direct financial implications arising from this report.

**Procurement**

There are no direct contract and/or procurement implications arising from this report.

**Legal**

The Council's Head of Legal and Governance has been consulted in the preparation of this report, and in noting the progress made with delivering the Audit Plan, and the activities undertaken in relation to risk management and anti-fraud, advises that there are no direct legal implications arising out of the report.

**Equality**

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation.
- advance equality of opportunity between people who share those protected characteristics and people who do not.
- foster good relations between people who share those characteristics and people who do not.

The Audit & Risk team is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010 and this is built into the team's operational procedures. Ensuring that the Council has effective counter-fraud arrangements in place will assist the Council to use its available resources more effectively.

**10. Use of Appendices**

Not Applicable

**11. Background papers**

Not Applicable

## **12. INTRODUCTION**

- 12.1 This report covers the period from 1 July 2024 to 4<sup>th</sup> October 2024 and summarises the work of the Audit & Risk Service in relation to anti-fraud and corruption.
- 12.2 The work of the team is driven by the Council's Anti-Fraud, Bribery & Corruption Strategy which was reviewed in September 2024. The Strategy is supported by a risk assessment and operational work plan, which is annually reviewed. More information is provided in section 13 of the report.
- 12.3 The Fraud resources within the Audit & Risk Service consists of a Head and Deputy Head of Audit & Risk and six Fraud Investigators. Resources available for Anti-Fraud, Corruption and Bribery work total circa 6.5 FTEs.
- 12.4 Fraud risk is considered when scoping all audit assignments, undertaken by Mazars, and where there is a high inherent risk of fraud in the system and process additional focus is included in the scope. The in-house resource investigates issues that arise, or other risk areas identified in the strategic audit planning. The results of all this work feeds into our assessment of fraud risk in the council.
- 12.5 Annually the governance of the organisation is reviewed, and this informs the Annual Governance Statement, which was presented to Members in July. This review considers the system of internal control which helps to inform our overall risk assessment. The Annual Report and Head of Internal Audit Opinion outlines weaknesses in internal control. There are several areas of the council where our first and second line of defence control are not robust enough to prevent and detect fraud.

## **13. Risk Assessment 2024/25**

- 13.1 The fraud risk profile of the council has not changed significantly in the last year. Fraud risks, both internal and external threats, are acknowledged in public sector organisations and efforts to quantify them show that whether the economy is in recession or boom the fraud threat remains high. However, we must acknowledge that in times of economic downturn individuals will find it easier to justify that act of fraud therefore external factors currently in the UK and the financial position of the organisation means more than ever the Council needs to be preventing fraud from arising at the front door, as the finite resources (people and funding) means pursuing fraud is increasingly challenging. Fraudsters in our community, who remain by far the minority of our residents, recognise the challenges the Council faces and will exploit multiple frauds against the public sector. Where they are successful, they undoubtedly share weaknesses in our controls with others who will then attempt the same fraud.
- 13.2 The most significant increase in cases being noted in 2024/25 is where employees or agency workers have other full-time employment. Many of these

cases will never reach the evidential thresholds to be prosecuted, although in the worst cases this is a clear objective under our strategy, many cases will be dealt with as a contractual breach under the disciplinary process or by terminating the agency assignment, and therefore put pressure on HR and Audit resources. The cases being identified are increasing because the fraud community is proactively working to identify incidences of fraud, while control environments in the first and second line of defence are strengthened. This risk has been high and not properly mitigated since 2020 when remote working commenced.

#### **14. Anti-Fraud & Corruption Work Plan for 2024/25**

- 14.1 The review of the Anti-Fraud, Corruption and Bribery Policy and Strategy in quarter 2 has created an action plan for 2024/25 to refresh and create procedural and guidance material for stakeholders to ensure the service complies with good practice. The team have a target of March 2025 to complete this work. There will also be some communication to raise awareness around fraud, corruption and bribery to stakeholders in quarter 3 as part of National Anti-Fraud Week.
- 14.2 The team's work plan this year includes proactive work relating to:
  - National Fraud Initiative (NFI) as the biennial data matching will take place in Q3 and pilot project regarding dual employment is still underway.
  - Temporary accommodation which was carried over from 2023/24.
  - Hidden Assets in Financial Assessments which was carried over from 2023/24.
  - Procurement due to the fraudulent activity identified in 2023/24.
  - Use of Death List information to ensure that the Council has the information and promptly stops services no longer required, preventing those identities, public funds and properties from being misused.
- 14.3 This is a challenging proactive plan but all high-risk areas where work is needed from both the fraud and audit perspective. Reactive workloads are putting pressure on our resources available to deliver the proactive work.
- 14.4 As part of our work to prevent fraud the team are also supporting other council teams to better utilise intelligence checks as part of application processing or financial assessment and training teams to use on-line platforms for this work.

#### **15. ANTI-FRAUD ACTIVITY**

- 15.1 The team undertakes a wide range of anti-fraud activity and has two performance indicators to monitor its work relating to tenancy fraud and the right to buy fraud. After a downturn in outcomes because of the impact covid had on Housing processes the team are finally starting to see a return to pre covid levels of performance.
- 15.2 Financial values are assigned to these outcomes based on the discounts not given and the estimated value of providing temporary accommodation to a

family. The Audit Commission, when in existence, valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, as noted above this related to average Temporary Accommodation (TA) costs. This figure was then revised to £42,000 by a network of housing and fraud bodies and was at the time supported by the Cabinet Office. Most recently the Cabinet Office has valued a property recovery at £78,300.

#### 15.3 Table 2 - Local Performance measures – anti fraud activity

Performance Indicator	Q2	YTD	Annual Measure
Properties Recovered	6	16	50
Right to Buys prevented	16	22	80

#### 15.4 Tenancy Fraud – Council properties

15.5 The Corporate Anti-Fraud Team works with Housing colleagues to target and investigate housing and tenancy fraud. Housing continues to fund 0.6FTE of Tenancy Fraud Officer co-located part time within the Corporate Anti-Fraud Team, however this post in the main undertakes proactive fraud prevention checks for housing. There are plans to do cross team proactive tenancy fraud campaigns and use data matching however this work will not be completed until the Housing Improvement Programme has improved systems, process, and technology across Housing. It is hoped these process and control improvements, and the planned proactive work will help to not only detect fraud but also deter it, in future. In quarter 2 training has been provided to the Tenancy Officers in Housing and a further training plan has been agreed for completion this year.

15.6 The Corporate Anti-Fraud Team works with the Housing team to identify the most effective use of fraud prevention and detection resources across teams to enable a joined-up approach to be taken, especially where cases of multiple fraud are identified e.g., both tenancy fraud and right to buy fraud. Circa half the live cases were generated from proactive work by the team: attending gas safety's; data matching or proactive fraud work the other half mainly from internal officer referral, tenancy officers, and small number from members or residents. Of the 417 ongoing investigations 239 currently sit with other teams for action and 172 are live investigations. The team have no live housing fraud prosecutions currently. Data cleansing work is planned in quarter 3 to ensure case status is accurate in the system. It is recognised, and the numbers indicate, that at the end of quarter 2 case review work was not fully completed as planned.

#### 15.7 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	355	
New Referrals received	80	

Total		
Properties Recovered		6
Case Closed – no fraud/no recovery action possible		12
Total		(-)
Ongoing Investigations		417

### 15.8 Right-to-buy (RTB) applications

15.9 As of 4 October, there were 173 ongoing applications with 50 under investigation as part of the statutory money laundering stage of the process. During quarter two, 16 RTB applications were withdrawn, timed out or refused either: following review by the Corporate Anti-Fraud Team or due to failing to fully engage with the money laundering stage of the processes. The applicants are served reminders, by legal, regarding timescales and the Corporate Anti-Fraud Team work flexibly with applicants and their solicitors to gather the required evidence to satisfy the money laundering regulations. 37 new applications were received in this period for review, 18 ongoing applications remain in process awaiting re-valuation of the property value. 21 applications ceased for reasons other than the Corporate Anti-Fraud Team's direct intervention and 8 properties were sold.

### 15.10 Blue Badge Fraud

To date there have been 127 cases accepted as part of the fraud prevention project that commenced in 2023/24.

Outcomes from cases to date:

- 70 closed, no further action
- 1 Prosecution
- 4 cases with legal
- 36 cautions administered.
- 2 cautions pending
- 14 live cases – 3 at interview under caution stage

The project has proven to be successful, and it has been agreed with Parking that the activity must continue a business case is being developed to embed the process as business as usual with support from digital services to streamline and automate the process. The aspiration is that with increased automation, the sanctions from this work will cover the costs to the fraud team for the resources needed to administer all referrals expected in business as usual.

The following is the notional cost to the public purse used in prosecution cases “blue badge fraud is significant and, by claiming exemption from the congestion charge, a blue badge holder saves £2,500 per year. They may also avoid having to pay for a resident’s parking permit, at £50 - £250 a year. If the motorist avoids paying hourly on-street parking charges of £3 per hour for 40 hours a week, this adds up to a further £6,000 a year (this could be even higher if commuting to central London). Fraudulent misuse could be costing local government (TfL and the boroughs) £5,000 - £10,000 a year per badge, in addition to the extreme inconvenience for disabled motorists and passengers”.

#### **15.11 Pro-active counter-fraud projects**

In quarter 2 the team has been focused on the ‘Temporary Accommodation’ and ‘Hidden Assets in Financial Assessments’ proactives. The outcomes from these projects will be reported when they are concluded.

#### **15.12 NFI**

Activity in quarter 2 focused on ensuring that services are preparing appropriately to meet the NFI deadlines for data upload at end of October.

#### **15.13 Void Properties project update 2023/24**

A proactive exercise to identify void properties / tenancies that need terminating, using death list data and council tax records that had a class F exemption (in the name of ‘executors of’) was completed in 2023/24.

The 69 cases identified by IA have been reported to Housing. 41 of them were known to Housing but were either not being pursued or were complex cases for resolution; for 13 of these anti-fraud officers were already assisting.

As at end of September 2024, 30 properties have been recovered, five successions have been approved and accounts now set up in the successor’s name, eight are with legal and 26 are still with housing for action.

These recoveries are not included within the tenancy fraud performance to avoid double counting and because these cases were identified to proactively deter fraud occurring and to achieve other council objectives.

A Direct Payment overpayment, of £3k, to a deceased client was also noted as part of this work, when a succession application was received for review, for the void property, the Direct Payment team were advised so recovery action could be completed. Overpayments to deceased clients will be part of the planned proactive work referred to in 14.1.

#### **15.14 No Recourse to Public Funds (NRPF)**

In quarter 2, 17 referrals have been received and responded to by the Corporate Anti-Fraud Team. The role of the Corporate Anti-Fraud Team is to



provide a financial status position for the NRPF team to include in their overall Children and Family Assessment.

The average cost of NRPF support per family (accommodation and subsistence for a two-child household) is around £20,000 pa.

#### **15.15 Squatting**

Due to a high incidence of squatting in council properties the Audit & Risk team are looking at new incidences and reviewing them for trends and evidence of criminal activity as part of this work advice on risk and control is provided. Officers also attend evictions to gather evidence from squatters, the team have reviewed 10 cases referred by housing colleagues so far in 2024/25, and our primary role is to look for employee involvement and or intelligence that may support a police enquiry.

#### **15.16 Ad hoc requests**

The team deal day to day with many ad hoc requests from management for advice and guidance. They also respond to data protection requests from other teams and organisations.

In quarter two the team were asked to assess some activity that appeared fraudulent and potentially organised, relating to a batch of housing benefits applications. This supports colleagues in preventing fraud as well as enabling robust intelligence to be shared with the DWP's Single Fraud Investigation Service.

The council tax service requested support to assess risks around fraudsters trying to obtain council tax bills with their credentials on illegally. Linked to this work a historical issue with UPRNs relating to properties in the Borough was noted and reported to Management to ensure a risk-based approach to resolution be embedded.

#### **15.17 Internal employee investigations**

In accordance with the Council's Constitution, the in-house Corporate Anti-Fraud Team investigates all allegations of fraud, corruption, and financial irregularity against employees.

At the start of quarter one the team had two employee cases open. During the quarter, three new referrals were accepted. The two cases remain open at the end of the quarter. One case is criminal in nature and these investigations take many months to conclude, evidence to support the disciplinary process was provided to management early in the investigation and the disciplinary process concluded with dismissal in July. In the other case the team have not found sufficient evidence but are exploring new lines of enquiry with management.

Of the three new cases all were closed in the quarter. One related to an alleged conflict of interest and management action was recommended; one related to

alleged bribery and the other alleged abuse of position however the team investigated and worked closely with human resources and management, and both referrals were closed with no case to answer.

The Audit and Risk service work closely with officers from HR and the service area involved to ensure that the appropriate investigation, following a referral, is completed as quickly as possible. The cases are prioritised according to risk to the council and severity of the allegations.

For all cases there is consideration of root causes and where weaknesses in our control environment have contributed or enabled fraud, corruption, or other breaches of code of conduct and other rules and procedures to occur. These audit observations are highlighted to management.

#### **15.18 Dual Employment Cases / Agency Worker cases**

One employee related dual employment cases arose in the quarter the investigation was led by Human Resources while the fraud team dealt with the data protection request associated with the case.

The team have notified management of three further dual employment cases where data has been requested regarding, current or former, agency workers whose assignments overlapped with assignments at other authorities. In all cases the agency assignment, if current, was terminated. The Audit & Risk team are working with Human Resources and Matrix on controls to prevent dual working. Recommendations have been raised and will be embedded into processes in quarter 3.

A further 10 dual employment cases have been reviewed by the team during 2024/25 as part of a pilot data matching exercise with NFI but there was no case to answer in each case.

The team have investigated one case where we were notified by another council that an ex-agency worker had received false references which were used to obtain the role with the Council, in addition it was identified that the individual working for the Council was not the one contracted to the employment agency. Audit are working with the Home Office, the other authority regarding this case and with HR to ensure tighter control to verify identity of agency workers are embedded.

#### **15.19 Whistleblowing Referrals**

The Head of Audit and Risk Management maintains a record of referrals made using the Council's Whistleblowing Policy. At the start of quarter 2, the team had one whistle-blower that related to an external organisation providing services on behalf of the council. This case remains on-going working in partnership with other council teams and other agencies, as it's a long-standing case the Deputy Head of Audit & Risk has formally requested an update on the conclusion to enable us to review and assess for closure. During quarter two the council received two further whistle-blowers. One was investigated and

closed in the quarter as no case to answer. The second was investigated and it was determined there may have been a case to refer to HR, however the subject of the whistle-blower had left the council, lessons learned were discussed with Management and it will be used as a case study for Statutory Officers Group as part of routine reporting.

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**Report for:** Audit Committee – 03 December 2024

**Item number:** 11

**Title:** Treasury Management Mid-Year Report 2024/25

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy S151 Officer)

**Lead Officer:** Tim Mpofu, Head of Finance – Pensions and Treasury  
[tim.mpofu@haringey.gov.uk](mailto:tim.mpofu@haringey.gov.uk)

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** N/A

## **1. Describe the issue under consideration**

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve treasury management reports on a semi-annual and annual basis.
- 1.2. The Council's Treasury Management Strategy for 2024/25 was approved at a full Council meeting on 4 March 2024. The Council 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. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.
- 1.3. This report provides an update to the Audit Committee on the Council's treasury management activities and performance during the first half of the 2024/25 financial year, in accordance with the CIPFA Code.

## **2. Cabinet Member Introduction**

- 2.1. Not applicable.

## **3. Recommendations**

The Audit Committee is requested:

- 3.1. To note the treasury management activity undertaken during the financial year to 30 September 2024 and the performance achieved which is attached as Appendix 1 to this report.
- 3.2. To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

## **4. Reason for Decision**

4.1. Not applicable.

**5. Other options considered**

5.1. Not applicable.

**6. Background information**

6.1. The Council's treasury management activity is underpinned by CIPFA's Treasury Management in Public Services: Code of Practice (the CIPFA Code), which requires local authorities to produce annually, Prudential Indicators and a Treasury Management Strategy Statement.

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

6.3. The CIPFA Code recommends that members are informed of treasury management activities at least twice a year. Following an amendment to the Council's constitution in 2023, it was determined that the reviewing and monitoring of treasury policy, strategy and activity is delegated to the Audit Committee. This Committee receives quarterly treasury management update reports, including a mid-year and annual report.

6.4. However, overall responsibility for treasury management remains with full Council, and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2024/25 on 4 March 2024.

6.5. Government guidance on local authority treasury management states that local authorities should consider the following factors in the order they are stated:

Security → Liquidity → Yield

6.6. The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds. However, no treasury activity is without risk and the effective identification and management of risk are integral to the Council's treasury management activities.

**Economic Background**

6.7. During the reporting period, UK inflation rates remained around the Bank of England's (BoE) target. The UK Consumer Price Index (CPI) inflation fell from 3.2% in March 2024 to 2.0% in May 2024. It then rose slightly to 2.2% in August 2024 – an expected increase due to energy price base effects.

6.8. Financial market sentiment showed signs of improvement over the period, though bond yields remained volatile. Yields climbed steadily early in the period, but mixed economic data and investors' ongoing reassessment of potential rate cuts caused a few pronounced, albeit short-lived, dips. Financial market volatility is expected to remain a feature, at least in the near term

- 6.9. Arlingclose, the Council's treasury advisor, maintains its central view that the Bank Rate has peaked at 5.25%. However, following the November MPC meeting, the adviser has revised their forecasts, now predicting a slower and more modest reduction in the Bank Rate, with a projected low of 3.75% instead of the previously forecast 3.00%.

	Dec-23	Mar-24	Jun-24	Sep-24	Current Rate
BoE Bank Rate	5.25%	5.25%	5.25%	5.00%	4.75%

- 6.10. Further details can be found in section 2 of Appendix 1 to this report.

### **Borrowing Activity**

- 6.11. The Council's primary objective when borrowing is to strike an appropriately low-risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.
- 6.12. There has been a significant increase in the cost of both short-term and long-term borrowing over the past two years, although these increases are now stabilising.
- 6.13. The table below shows the movement in rates offered across the various PWLB maturities on 30 September 2024. The rates shown are included the 0.20% certainty discount rate offered by the PWLB to qualifying authorities.

PWLB Maturity	Dec-23	Mar-24	Jun-24	Sept-24
10 year	4.19%	4.74%	4.96%	4.79%
20 year	4.90%	5.18%	5.37%	5.27%
50 year	4.67%	5.01%	5.15%	5.13%

- 6.14. As part of its strategy for funding previous and current years' capital programmes, the Council held £891.9 million in loans on 30 September 2024. The Council has a significant capital programme which will largely be financed by new borrowing in the upcoming years. The Council plans to maintain a balanced portfolio of short and long-term borrowing.
- 6.15. Further details on the borrowing activity of the Council over the period can be found in section 4 of Appendix 1 to this report.

### **Treasury Investment Activity**

- 6.16. In accordance with the CIPFA Code and government guidance, the Council aims to strike an appropriate balance between risk and return, when making treasury investments. The aim is to prioritise the security and liquidity of its investments before seeking the optimum rate of return or yield.
- 6.17. Throughout the period, the Council's investment balances ranged between £33.9 million and £83.0 million due to timing differences between income and expenditure, ending at £33.9m on 30 September 2024.
- 6.18. Overnight deposit rates for the Debt Management Account Deposit Facility and Money Market Funds averaged around 5.00%.
- 6.19. The following table shows how the Council's current Treasury investments compare with other local authorities.

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Ave. Maturity (Days)	Rate of Return
31.03.2024	3.67	AA-	0%	1	5.19%
30.09.2024	3.90	AA-	25%	1	4.95%
Similar Local Authorities	4.70	A+	75%	11	4.97%
All Local Authorities	4.39	AA-	61%	12	4.90%

6.20. Further details on the Council's treasury investment activity over the period can be found in section 5 of Appendix 1 to this report.

### **Treasury Management Prudential Indicators**

6.21. The Council measures and manages its exposures to treasury management risks using several indicators that are set when the Treasury Management Strategy is approved in advance of the new financial year.

6.22. The Chief Finance Officer reports that all treasury management activities carried out during the year were fully compliant with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

6.23. A detailed assessment of the Council's compliance with the agreed upon Treasury Management Indicators can be found in section 8 of Appendix 1 to this report.

## **7. Contribution to Strategic Outcomes**

7.1. Not applicable.

## **8. Carbon and Climate Change**

8.1. Not applicable.

## **9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Legal and Governance, Equalities)**

### Finance and Procurement

8.1. Finance comments are included throughout the attached report.

### Assistant Director of Legal and Governance [Benita Edwards, Head of Legal Services]

8.2. The Head of Legal Services has been consulted on the content of this report which is consistent with legislation governing the financial affairs of the Council. In particular, the Council must comply with the requirements of the Local Government Act 2003, the Local Authorities (Capital Financing & Accounting – England) Regulations 2003 and the CIPFA Treasury Management code.

8.3. In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee.

### Equalities



8.4. There are no equalities issues arising from this report.

**10. Use of Appendices**

10.1. Appendix 1 – Treasury Management Update Report – Q2 2024/25

**11. Background Papers**

11.1. None

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## Appendix 1 - Treasury Management Update Report – Q2 2024/25

### 1. Introduction

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual reports.
- 1.2. This report includes the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators.
- 1.3. The Council's treasury management strategy for 2024/25 was approved at a full Council meeting on 4 March 2024. The Council 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. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

### 2. External Context (provided by the Council's treasury management advisor, Arlingclose)

#### Economic background

- 2.1. UK inflation rates remained around the Bank of England's (BoE) target in recent months. The UK Consumer Price Index (CPI) inflation fell from 3.2% in March 2024 to 2.0% in May 2024. It then rose slightly to 2.2% in August 2024 – an expected increase due to energy price base effects.
- 2.2. With headline inflation lower, the BoE's Monetary Policy Committee (MPC) cut the Bank Rate from 5.25% to 5.00% in August 2024. The decision was finely balanced, voted by a 5–4 majority, with four members preferring to hold the rate at 5.25%.
- 2.3. At the September MPC meeting, committee members voted 8–1 to maintain rates at 5.00%. The minutes and voting pattern revealed a notably hawkish stance on rates, as policymakers remained concerned about persistent inflation. The table below provides an extract of the Bank Rate over the past four quarters, along with the current rate.

	Dec-23	Mar-24	Jun-24	Sep-24	Current Rate
BoE Bank Rate	5.25%	5.25%	5.25%	5.00%	4.75%

- 2.4. Data released during the period showed that the UK economy had emerged from the technical recession at the end of 2023, expanding by 0.7% in the first quarter of the calendar year. Growth continued in the second quarter, though at a slower pace of 0.6%.
- 2.5. Labour market data showed improvement from a policymaker's perspective, with an easing in job market tightness as both inactivity rates and vacancies declined. The unemployment rate was report at 4.1% during the period. The table below shows an extract of the annual unemployment rate reported over the past four quarters.

	Dec-23	Mar-24	Jun-24	Sep-24
Unemployment rate	3.8%	4.4%	4.4%	4.1%

- 2.6. According to the Bank of England's November Monetary Policy Report, while UK Gross Domestic Product (GDP) has risen sharply in 2024, policymakers expect it to moderate in 2025. A graduate recovery is expected to follow as both the lagged effects of previous Bank Rate increases fade and restrictive measures ease.

- 2.7. Arlingclose, the Council's treasury adviser, maintains its central view that 5.25% is the peak Bank Rate. However, following the November MPC meeting, the adviser has revised their forecasts, now predicting a slower and more modest reduction in the Bank Rate, with a projected low of 3.75% instead of the previously forecast 3.00%.
- 2.8. The US Federal Reserve also cut rates over the period, reducing the Fed Funds Rate to a target range of 4.50–4.75% by November 2024. Recent forecast released by the central bank suggest further easing is expected in 2025; however, the pace and timing remains uncertain.
- 2.9. Over in Europe, the European Central Bank (ECB) cut rates in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. While the ECB has not specified its future rate path, inflation projections align with previous forecasts—remaining above the 2% target through 2026 on an annual basis.

### **Financial markets**

- 2.10. Financial market sentiment showed signs of improvement over the period, though bond yields remained volatile. Yields climbed steadily early in the period, but mixed economic data and investors' ongoing reassessment of potential rate cuts caused a few pronounced, albeit short-lived, dips. The volatility in response to economic, financial and geopolitical issues meant it was a turbulent period for bond investors.
- 2.11. The table below shows the movement of the major benchmark gilt yields throughout the period.

<b>Benchmark Gilt Yield</b>	<b>Dec-23</b>	<b>Mar-24</b>	<b>Jun-24</b>	<b>Sept-24</b>
5 year	3.48%	3.83%	3.94%	3.76%
10 year	3.54%	3.92%	4.18%	4.00%
20 year	4.13%	4.40%	4.41%	4.51%

- 2.12. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30 September 2024.

### **Credit review**

- 2.13. Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.
- 2.14. Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.
- 2.15. Financial market volatility is expected to remain a feature, at least in the near term and credit default swap levels will be monitored for signs of ongoing credit stress. As always, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

## **3. Local Context**

- 3.1. On 31 March 2024, the Council had net borrowing of £819.4m arising from its revenue and capital income and expenditure. The Capital Financing Requirement (CFR) measures the underlying need to borrow for capital purposes. A breakdown of the CFR is summarised in Table 1.

**Table 1: Balance Sheet Summary**

	<b>31.03.24 Actual £m</b>
General Fund CFR	677.1
HRA CFR	542.9
<b>Total CFR<sup>1</sup></b>	<b>1,220.0</b>
Less: Other debt liabilities <sup>2</sup>	(31.0)
<b>Borrowing CFR - comprised of:</b>	<b>1,189.0</b>
External borrowing	819.4
Internal borrowing	369.6

<sup>1</sup>subject to audit<sup>2</sup>finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

- 3.2. The Council continued to pursue its long-standing strategy of keeping borrowing and investments below their underlying levels, also known as internal borrowing, in order to reduce risk and keep interest costs low.
- 3.3. The treasury management position on 30 September 2024 and the change over the year is shown in Table 2.

**Table 2: Treasury Management Summary**

<b>Type of Borrowing/Investment</b>	<b>31.03.24 Balance £m</b>	<b>Movement £m</b>	<b>30.09.24 Balance £m</b>	<b>30.09.24 Weighted Av. Rate %</b>
Long-term borrowing	779.4	(0.5)	778.9	3.24%
Short-term borrowing	40.0	73.0	113.0	5.11%
<b>Total borrowing</b>	<b>819.4</b>	<b>72.5</b>	<b>891.9</b>	<b>3.47%</b>
Short-term investment	0.0	0.0	0.0	0.00%
Cash and cash equivalents	33.9	6.1	40.0	4.95%
<b>Total investments</b>	<b>33.9</b>	<b>6.1</b>	<b>40.0</b>	<b>4.95%</b>
<b>Net borrowing</b>	<b>785.5</b>	<b>66.4</b>	<b>851.9</b>	

#### **4. Borrowing Strategy and Activity**

- 4.1. As outlined in the treasury strategy, the Council's primary objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At present, short-term interest rates are higher than long-term interest rates.
- 4.2. Policy interest rates have risen substantially since 2021 although they have remained mostly steady in the last year. UK Gilt yields were volatile over the six-month period, with a slight reduction between April and September 2024. Much of the downward pressure from lower inflation figures was offset by positive economic data. US data continues to influence global bond markets, including UK gilt yields.
- 4.3. Over the period, the PWLB certainty rate for 10-year maturity loans fluctuated between 4.52% and 5.18%. During the same time period, 20-year maturity loans ranged from 5.01% to 5.57%, and 50-year maturity loans varied between 4.88% and 5.40%.

- 4.4. Table 3 shows the movement in rates offered across the various Public Works Loan Board (PWLB) maturities on 30 September 2024. The rates shown include the 0.20% certainty discount rate offered by the PWLB to qualifying authorities.

**Table 3: PWLB Rates**

PWLB Maturity	Dec-23	Mar-24	Jun-24	Sept-24
10-year	4.19%	4.74%	4.96%	4.79%
20-year	4.90%	5.18%	5.37%	5.27%
50-year	4.67%	5.01%	5.15%	5.13%

- 4.5. Whilst the cost of short-term borrowing from other local authorities peaked at around 7% in late March 2024, primarily due to a lack of liquidity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% to 5.25% over the period.
- 4.6. CIPFA's 2021 Prudential Code emphasises that local authorities should not borrow to invest primarily for financial returns. Local authorities should not make investment or spending decisions that increase the capital financing requirement, resulting in new borrowing, unless such decisions are directly and primarily related to the functions of the local authority. Local authorities are no longer permitted to secure PWLB loans for purchasing investment assets primarily for yield unless the loans are for refinancing purposes.
- 4.7. The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in the future.
- 4.8. Following the Chancellor's Autumn Statement, the PWLB HRA rate, which is 0.4% below the certainty rate, has been extended until June 2026. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to replace some of the Council's loans relating to the HRA maturing during this time frame.
- 4.9. As part of its strategy for funding previous and current years' capital programmes, the Council held £891.9 million in loans on 30 September 2024, an increase of £72.5 million compared to 31 March 2024. The outstanding loans on 30 September are summarised in Table 4.

**Table 4: Borrowing Position**

Type of Borrowing	31.03.24 Balance £m	Net Movement £m	30.09.24 Balance £m	30.09.24 Weighted Ave. Rate %	30.09.24 Weighted Ave. Maturity years
Public Works Loan Board	679.4	(0.5)	678.9	3.02%	23.4
Banks (LOBO)	100.0	0.0	100.0	4.73%	34.1
Local authorities	40.0	73.0	113.0	5.11%	0.4
<b>Total borrowing</b>	<b>819.4</b>	<b>72.5</b>	<b>891.9</b>	<b>3.47%</b>	<b>21.7</b>

- 4.10. £30m of new long-term borrowing was undertaken during the period. However, £0.5m of PWLB loans were allowed to mature without immediate replacement. The Council's borrowing decisions are not based on any single outcome for interest rates, and it maintains a balanced portfolio of short and long-term borrowing.
- 4.11. The Council has a significant capital program that extends into the foreseeable future. A large proportion of this program will be financed by borrowing, which the Council will need to undertake during the current and upcoming years.

### LOBO Loans

- 4.12. The Council holds £100m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.
- 4.13. With market interest rates having risen, the probability of LOBOs being called has been higher than in the recent past. £50m of LOBO loans had call option dates during the period to 30 September 2024, however no lender exercised their option.
- 4.14. The Council currently holds £50m in LOBO loans, with call dates within the next 12 months. The Council has been working with treasury management advisors Arlingclose to assess the likelihood of the loan options being exercised. If the option is exercised, the Council plans to repay the loan at no additional cost. If required, the Council will use available cash or borrow from other local authorities or the PWLB to repay the LOBO loans.

## 5. Treasury Investment Activity

- 5.1. The CIPFA Treasury Management Code defines treasury management investments as those arising from an organisation's cash flows or treasury risk management activities. These investments represent balances that need to be invested until the cash is required for business operations.
- 5.2. The Council holds invested funds, which represent income received in advance of expenditure, as well as balances and reserves. Throughout the period, the Council's investment balances ranged between £33.9 million and £83.0 million due to timing differences between income and expenditure. The investment position on 30 September 2024 is shown in Table 5.

**Table 5: Treasury Investment Position**

Type of Investment	31.03.24 Balance £m	Net Movement £m	30.09.24 Balance £m	30.09.24 Weighted Ave. Rate %	30.09.24 Weighted Ave. Maturity
Debt Management Office	33.9	(3.9)	30.0	4.94%	1
Money market funds	-	10.0	10.0	2.50%	0
<b>Total investments</b>	<b>33.9</b>	<b>6.1</b>	<b>40.0</b>	<b>4.95%</b>	<b>1 days</b>

- 5.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, taking into account the security and liquidity of its treasury investments before seeking the optimum rate of return or yield. The Council aims to strike an appropriate balance between risk and return when making treasury investments, while minimising the risk of incurring losses from defaults and receiving unsuitably low investment income.
- 5.4. The Bank of England's Bank Rate reduced from 5.25% to 5.00% in August 2024, with short-term rates hovering around this level. In November 2024, the MPC cut rates by a further 0.25% to 4.75%. During the period, the overnight deposit rates from both the Debt Management Account Deposit Facility (DMADF) and Money Market Funds (MMFs) averaged around 5.00%.
- 5.5. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 6.

**Table 6: Investment Benchmarking – Treasury investments managed in-house**

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Ave. Maturity (Days)	Rate of Return
31.03.2024	3.67	AA-	0%	1	5.19%
30.09.2024	3.90	AA-	25%	1	4.95%
Similar Local Authorities	4.70	A+	75%	11	4.97%
All Local Authorities	4.39	AA-	61%	12	4.90%

Scoring:

AAA = highest credit quality = 1; D = lowest credit quality = 26

Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

## 6. Treasury Performance

- 6.1. The budget for treasury investment income for 2024/25 was set at £2.4m. This was based on a treasury investment portfolio of £50m with an average rate of return of 4.75%. The most recent forecast for the year shows an average rate of return of 5.09%. Therefore, the Council's expected treasury investment income remains in line with the budget.
- 6.2. The borrowing costs for 2024/25 are also forecast to be in line with the budget at Q2 at £40.7m (£25.9m HRA, £14.8m General Fund).

## 7. Compliance

- 7.1. The Director of Finance reports that all treasury management activities carried out during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy.
- 7.2. Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

**Table 7: Debt Limits**

	30.09.24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied?
Borrowing	891.9	1,276.7	1,326.7	Yes
PFI and Finance Leases	15.8	15.8	17.4	Yes
<b>Total debt</b>	<b>907.7</b>	<b>1,292.5</b>	<b>1,344.1</b>	<b>Yes</b>

- 7.3. The operational boundary is a management tool for in-year monitoring. Therefore, it is not significant if the operational boundary is breached on occasion due to variations in cash flow, and this is not considered a compliance failure. However, the council's debt remained well below this limit throughout the period.

## 8. Treasury Management Indicators

- 8.1. The Council measures and manages its exposures to treasury management risks using the following prudential indicators.

### **Security**

- 8.2. The Council has adopted a voluntary measure to assess its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. To calculate this score, a value is assigned to each investment based on its credit rating (AAA=1, AA+=2, etc.), and the arithmetic average is taken, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.09.24	2024/25	Complied?
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	Actual	Target	
Portfolio average credit score	3.90 (AA-)	7.0 (A-)	Yes

### Liquidity

- 8.3. The Council has adopted a voluntary measure to monitor its exposure to liquidity risk. This is done by tracking the amount of cash available to meet unexpected payments over a rolling three-month period, without borrowing additional funds.

	30.09.24 Actual	2024/25 Target	Complied?
Total cash available within 3 months	£40.0m	£30.0m	Yes

### Interest Rate Exposures

- 8.4. This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

	30.09.24 Actual	2024/25 Target	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£1.1m	£2m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0.4m	£2m	Yes

- 8.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

- 8.6. For context, the changes in PWLB interest rates during the period were:

	31.03.24	30.09.24
Bank Rate	5.25%	5.00%
1-year PWLB certainty rate, maturity loans	5.36%	4.95%
5-year PWLB certainty rate, maturity loans	4.68%	4.55%
10-year PWLB certainty rate, maturity loans	4.74%	4.79%
20-year PWLB certainty rate, maturity loans	5.18%	5.27%
50-year PWLB certainty rate, maturity loans	5.01%	5.13%

### Maturity Structure of Borrowing

- 8.7. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	30.09.24 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	17.2%	50%	0%	Yes
12 months and within 24 months	2.4%	40%	0%	Yes
24 months and within 5 years	8.0%	40%	0%	Yes
5 years and within 10 years	14.7%	40%	0%	Yes
10 years and within 20 years	11.9%	40%	0%	Yes
20 years and within 30 years	9.1%	40%	0%	Yes
30 years and within 40 years	11.6%	50%	0%	Yes
40 years and within 50 years	25.1%	50%	0%	Yes
50 years and above	0.0%	40%	0%	Yes

- 8.8. 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.
- 8.9. In the past, the Council has extensively used short-term borrowing (less than 1 year in duration) from other local authorities as an alternative to longer-term borrowing from the PWLB. This was due to lower interest rates at the time, resulting in revenue savings.
- 8.10. However, short-term borrowing exposes the Council to refinancing risk. This is the risk that rates will rise quickly over a short period of time and will be at significantly higher rates when loans mature and new borrowing is required. With this in mind, the Council has set a limit on the total amount of short-term local authority borrowing as a proportion of all borrowing.

	<b>30.06.24 Actual</b>	<b>2024/25 Target</b>	<b>Complied?</b>
Upper limit on short-term borrowing from other local authorities as a percentage of total borrowing	12.7%	30%	Yes