
Corporate Committee

TUESDAY, 22ND JANUARY, 2013 at 19:00 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, N22 8LE.

MEMBERS: Councillors Adje, Amin, Diakides, Griffith, Jenks, Khan, Meehan, Whyte, Williams and Wilson

AGENDA

1. APOLOGIES (IF ANY)

2. URGENT BUSINESS

The Chair will consider the admission of any late items of urgent business. (late items will be considered under the agenda items where they appear. New items will be dealt with at items 21 & 24)

3. 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.

4. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

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

5. MINUTES (PAGES 1 - 8)

To consider and agree the minutes of the meeting held on 29th November 2012.

Note from the Head of Local Democracy and Member Services

When considering items 6, 7, 8 & 9 the Committee will be operating in its capacity as an "Administering Authority". When the Committee is operating in its capacity as an Administering Authority, Members must have due regard to their duty as quasi-trustees to act in the best interests of the Pension Fund above all other considerations.

When considering Agenda Item 10, the Corporate Committee will be acting according to their responsibility for determining the council's policies as an "Employing authority".

6. PENSION FUND QUARTERLY UPDATE (PAGES 9 - 22)

To receive the quarterly Pension Fund update.

7. PENSION FUND: ASSET ALLOCATION ADVICE (PAGES 23 - 32)

This report considers the Pension Fund's current asset allocation and recommends movements towards the agreed strategic benchmark.

8. AWARD OF CONTRACT FOR PENSION FUND ACTUARIAL SERVICE (PAGES 33 - 36)

This report seeks approval from Committee to award a contract for Pension Fund actuarial services.

9. EXERCISE OF PENSION DISCRETIONS IN THE ABSENCE OF THE EMPLOYING BODY (PAGES 37 - 40)

The Committee will be asked to consider that in circumstances where a member's employing body no longer exists and there is no former or successor employing body, the Council in its capacity as Administering Authority of the Haringey Council Pension Fund exercise the employing body discretions arising under Regulations 30 A and 31 of the LGPS (Benefits, Membership and Contributions) Regulations 2007.

10. PENSIONS (DISCRETIONARY) POLICY STATEMENT (PAGES 41 - 50)

Following amendments introduced by the Local Government Pension Scheme (Miscellaneous) regulations 2012, the Council is required to publish its policy on the discretion to re-instate a suspended tier 3 ill health retirement pension on application from a member on or after age 55 and before age 60. In addition, where this discretion is exercised in favour of a scheme member, the Council has a further discretion to waive any actuarial reduction that might otherwise be applied to the benefits. The Committee will consider a report on these matters and be asked to agree the necessary amendments to the Council's Pensions Policy statement.

11. TREASURY MANAGEMENT 2012/13 QUARTER 3 ACTIVITY & PERFORMANCE UPDATE (PAGES 51 - 60)

This report updates the Committee on the Council's treasury management activities and performance in the third quarter of 2012/13.

12. TREASURY MANAGEMENT STRATEGY STATEMENT 2013/14 - 2015/16 (PAGES 61 - 86)

An update on the proposed Treasury Management Strategy Statement and Prudential Indicators for 2013/14 to 2015/16 before it is presented to full Council for final approval.

13. EXTERNAL AUDITORS PROGRESS REPORT (PAGES 87 - 88)

To consider Grant Thornton's progress report for January 2013.

14. EXTERNAL AUDITORS GRANT CERTIFICATION REPORT (PAGES 89 - 100)

Grant Thornton, external auditors, will present the findings of their grant certification work for 2011/12.

15. EXTERNAL AUDITOR'S PROCUREMENT REVIEW (PAGES 101 - 134)

The Committee will consider Grant Thornton's high level review of the overall adequacy of the Council's procurement organisation and its capabilities to support the Council in achievement of value for money from procurement activity.

16. TEMPORARY DIRECTOR/SENIOR MANAGEMENT ARRANGEMENTS

Report of the Chief Executive – **Report to follow**

17. PUBLIC HEALTH STAFF TRANSITION (PAGES 135 - 142)

This report details, for information, the arrangements for the local staff transfer. The full report on the overall Public Health Transition was approved by Cabinet on 18th December 2012.

18. INTERNAL AUDIT QUARTER THREE UPDATE (PAGES 143 - 184)

The Corporate 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. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee on the work undertaken by the Internal Audit Service in completing the 2012/13 annual audit plan, together with the responsive pro-active fraud investigation work, and housing benefit fraud investigation work. Where further action is required or recommended, this is highlighted in the report and appendices and included in the recommendations for the Corporate Committee.

In addition, the report provides details of the work the Council's Human Resources business unit has undertaken in supporting disciplinary action taken across all departments by respective Council managers.

19. USE OF CONSULTANTS - POLICY UPDATE (PAGES 185 - 196)

To provide the Committee with an update on the processes and systems used for the control and usage of consultants across the council.

20. DECISIONS TAKEN UNDER DELEGATED AUTHORITY, URGENCY AND SIGNIFICANT ACTIONS (PAGES 197 - 206)

To inform the Corporate Committee of non executive delegated decisions, significant actions taken by Directors and any urgency decisions taken by the Chair.

21. ANY OTHER BUSINESS OF AN URGENT NATURE

To consider any items admitted at item 2 above.

22. EXCLUSION OF THE PRESS AND PUBLIC

The following items are likely to be subject of a motion to exclude the press and public from the meeting as they contain exempt information as defined in Section 100a of the Local Government Act 1972: paragraph 3, information relating to the financial or business affairs of any particular person (including the authority holding that information)

23. AWARD OF CONTRACT FOR PENSION FUND ACTUARIAL SERVICE (PAGES 207 - 208)

To consider exempt information pertaining to agenda item 8.

24. ANY EXEMPT ITEMS OF URGENT BUSINESS

To consider any exempt items of urgent business as set out at item 2.

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14 January 2013

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MINUTES OF THE CORPORATE COMMITTEE
THURSDAY, 29 NOVEMBER 2012

Councillors Adje, Diakides, Griffith, Jenks, Meehan(Chair), Whyte, Williams and Wilson

Apologies Councillor Khan and Councillor Amin

Also Present: Councillor Egan, Councillor Basu, Kevin Bartle, Raymond Prince, Stuart Young, Anne Woods, Hanisha Solanki, Paul Dossett, Liz Sandford, George Cooper, Nicola Webb, Keith Brown, Michael Jones, Roger Melling, Peter Hayday.

MINUTE NO.	SUBJECT/DECISION	ACTON BY
CC44	<p>APOLOGIES (IF ANY)</p> <p>Apologies for absence were received from Councillor Khan, Councillor Amin and Julie Parker (CFO).</p> <p>Councillor Egan and Councillor Basu substituted in accordance with Committee standing order 52 and 53.</p>	
CC45	<p>URGENT BUSINESS</p> <p>There were no items of urgent business put forward.</p>	
CC46	<p>DECLARATIONS OF INTEREST</p> <p>There were no declarations of interest put forward.</p>	
CC47	<p>DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS</p> <p>There were no deputations, petitions or questions put forward to the meeting.</p>	
CC48	<p>MINUTES</p> <p>RESOLVED</p> <p>The minutes of the 27th September 2012 were agreed as an accurate record of the meeting.</p>	Clerk
CC49	<p>FRAMEWORK AGREEMENT FOR PENSION FUND ACTUARIAL SERVICE</p> <p>The current actuarial service contract with Hymans Robertson was due to expire on the 28th February 2013 and a new appointment would be required before this date. Norfolk County council had already undertaken an OJEU compliant tender process for the framework agreement for Pension Fund actuarial services and this was available for all local</p>	

MINUTES OF THE CORPORATE COMMITTEE
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	<p>government Pension Fund Administering authorities to access for a fee of £2000 pounds. The use of the framework was advised by the Deputy CFO to be value for money as it would save time and resource whilst at the same time ensuring that the procurement of Pension Fund actuarial services was compliant with OJEU requirements</p> <p>If approval was given by the Committee to enter into this framework agreement, a mini competition process would ensue with the independent pension advisor involved in the evaluation process and the Chair of the Committee attending presentations from the providers. Then Corporate Committee will consider a recommendation on the appointment of an actuary at the January meeting.</p> <p>Understanding was sought on how the council can go beyond the framework agreement and make any further efficiencies on the cost of the operation of the Pension Fund by working with other boroughs as indicated by the recent London Council's report on the 'evaluation of options for reconfiguring the London LGPS funds'. The Deputy CFO explained that this particular framework agreement was put forward to members to agree as it was value for money. The Deputy CFO agreed to consider whether there were any further structures which could be open to potential efficiency savings.</p> <p>RESOLVED</p> <p>That approval is given to the Pension Fund entering into the framework agreement set up by Norfolk County Council for the use of administering authorities for Pension Fund actuarial services.</p>	Deputy CFO
CC50	<p>TREASURY MANAGEMENT STRATEGY STATEMENT 2013/14 - 2015/16 -</p> <p>The Committee were reminded that it was their responsibility to formulate the Treasury Management Strategy each year, for Overview and Scrutiny to scrutinise it, and full Council would be responsible for its approval.</p> <p>Capital programme figures contained in the report were from the previous year, as Cabinet would agree the figures for 2012/13 at their meeting in December. A further updated report containing the final capital programme figures and prudential indicators would be considered at the January Corporate Committee meeting. In the meantime, this did not affect the overriding principles for investing and borrowing which the Committee were considering at this meeting. The Committee noted that very low short term interest rates compared to medium and long term rates is expected to continue in 2013 meaning that there will be an ongoing 'cost of carry' if funds are borrowed in advance of capital expenditure. To minimise the cost of borrowing, the council will maintain the strategy of borrowing in the short term at low rates from other local authorities to maintain liquidity whilst also being mindful of any long term opportunities to borrow from the PWLB.</p>	

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	<p>On the advice of the council's treasury management advisors, Arlingclose Ltd, a small change had been made to the strategy, this was to remove the minimum short term rating criteria for lending, as it was long term rating of an organisation was the ultimate driver of creditworthiness. The Committee noted that this would not change the portfolio of banks named in the lending list, but would enable the Council to start using RBS and Nat West again .</p> <p>Explanation was provided on the term LIBID (London Inter Bank Interest Deposit Rate) and the Chair asked that, in future, further thought be given to the size and clarity of figures printed in report packs as it was important that they were readable.</p> <p>RESOLVED</p> <p>That the proposed Treasury Management Strategy Statement and draft Prudential Indicators for 2013/14 to 2015/2016 at Appendix 1 be recommended to Council for approval as part of the financial planning report , subject to updating to reflect the agreed capital programme.</p>	
CC51	<p>PARLIAMENTARY BOUNDARY COMMISSION REVIEW - REVISED PROPOSALS</p> <p>Proposals for new parliamentary boundaries had been previously considered by Corporate Committee in December 2011. However, following updated proposals announced by the Boundary Commission for England in October 2012, a further report was put forward which included information on new proposals. The council had now moved from an unchanged position of two parliamentary constituencies to sharing arrangements with 4 boroughs and having 3 parliamentary seats.</p> <p>Apart from the additional complexity of the Elections team working with four other boroughs, there were no other issues identified by the Committee to put forward as part of a consultation response.</p> <p>RESOLVED</p> <p>That the administrative changes resulting from the Boundary Revision proposals be noted.</p>	
CC52	<p>PROGRESS REPORT FROM EXTERNAL AUDITORS</p> <p>Grant Thornton were in the process of certifying the council's 2011/12 grants claim. Following completion in December, a report on the findings and cost of this work would be considered by Corporate Committee at their January meeting.</p> <p>The Committee noted that a report from Grant Thornton on their national study concerning financial resilience was due to be published in early December and hard copies would be provided to the council for distribution.</p>	

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	<p>RESOLVED</p> <p>That the progress report from Grant Thornton be noted.</p>	
CC53	<p>ANNUAL AUDIT LETTER FOR 2011/12</p> <p>The Committee considered the Annual Audit Letter from the Council's external auditors Grant Thornton. This letter was part of a formal external audit process and provided an independent assessment of the Council's position in meeting its strategic objectives. The Annual Audit Letter summarised the work completed by the external auditors over the year. The council were provided with unqualified opinions for both their value for money activities and Statement of Accounts 2011/12. Appendix b illustrated the fee of £32k for additional work carried out on the statement of accounts for 2011/12.</p> <p>RESOLVED</p> <p>That the Annual Audit letter for 2011/12 and the Council's response be noted.</p>	
CC54	<p>EXTERNAL AUDITORS PLANNED AUDIT FEE FOR 2012/13</p> <p>The Committee considered a letter from the external auditors Grant Thornton which set out their proposed work programme and scale of fees for 2012/13. The scale fees for 2012/13, put forward for agreement was £272,700. This was a 40% reduction from the previous year's fee of £454,500. The expected fee for grant certification work was set at £52k and this would be included in the overall fee for 2012/13. The Committee would receive a detailed report from Grant Thornton on their audit plans and audit approach at their meeting in March 2013.</p> <p>RESOLVED</p> <p>The external auditor's fee of, £272,700, for the audit work to be carried out in 2012/13 was agreed.</p>	Deputy CFO
CC55	<p>QUARTERLY INTERNAL AUDIT REPORT UPDATE - 2012/13 QUARTER TWO</p> <p>As part of the quarterly update on internal audit activities, consideration was given to the audit report from Deloitte and Touche contained, at appendix A. (These were the final reports issued during the quarter together with detailed summaries of the findings and recommendations of those reports which received limited assurance ratings). The report further contained information on the work of the in-house fraud investigation team, housing benefit fraud investigation, and the council wide disciplinary statistics.</p> <p>A notable achievement was the recovery of 26 Haringey properties, in the year to date, following successful work with Tenancy Management Teams and housing tenancy fraud investigations. In addition there had</p>	

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been two right to buy abatements where the maximum discount of £75k was being fraudulently claimed by the applicants. The Internal Audit service was putting in place a new procedure to review high risk applications following the £75,000 discount now being offered.

A cross borough initiative had identified 68 cases of identity fraud. These counterfeit identities had been used to enact frauds and make false benefit claims.

Following Committee members previous concerns about the findings of the internal audit on the Mortuary services, a follow up review had been completed, the findings of which were detailed from page 123 onwards. Eight of the nine recommendations had been found to have been fully implemented. The remaining recommendation, regarding the requirement to record the property reference number on admission book receipts was partly implemented but internal audit were aware that revised stationery had been purchased and it was anticipated that this recommendation would soon be fully implemented.

There was a report back on the audits that had received a limited assurance rating in the quarter one report. The Committee noted that a majority of the recommendations had been implemented with the exception of one which internal audit will follow up and report back in January.

The following clarifications were provided following questions:

- Document scanning software was to be implemented in the next two months. This will be used to scan identification documents at the point of application for council services including housing, employment and benefits.
- (Page 101) The Head of Audit and Risk management would check if the information contained at the second bullet point, relating to the application and payment of licenses, was the standard practice rather than a recommendation.
- The value of a benefit fraud would aim to be recouped by the council following a staff dismissal.
- (Dismissal where improper conduct has occurred) - It was noted that the council's current practice was to accept the resignations of employees, if these were put forward, as it would save time and resources spent on an investigation and/or disciplinary processes. In terms of providing references, appropriate wording would be used to indicate the circumstances that the member of staff left the authority. Where there was a case of gross misconduct of a criminal nature, regardless of resignation of the employee, the matter may also be reported to the Police by the Head of Audit and Risk Management. The Police will then decide if they want to pursue the case further.

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	<ul style="list-style-type: none"> The council used the payroll system to identify employees that were claiming benefit and not declaring their full income. Use is also made of the national fraud data to check claims of staff that are living out of the borough. <p>There was discussion about the findings of the audit on staff adherence to registering gifts, and offers of hospitality as the low numbers of declarations made suggested that there was not a culture for registering gifts and offers of hospitality. In response the Head of Audit and Risk management explained that the low number of gifts and hospitality registered by staff may reflect that most private sector organisations were aware of the restrictions in place in the public sector and requirements of the Bribery Act so limited offers of gifts or hospitality were generally made. Also staff generally knew not to accept gifts or offers of hospitality. The exception noted in the audit report was where a gift/hospitality was offered but not authorised by the Assistant Director, and it was recorded as such on the record. Committee members felt that, even if an offer of a gift is made and turned down it is still good practice for this to be recorded for the protection of the staff member. The Committee were in agreement that staff should follow a similar process, to that followed by Members, and be able to record, online, any gifts or offers of hospitality and not have a separate process as they were both required to follow the requirements of the Bribery act.</p> <p>It was agreed that the code of conduct for staff should also be examined and amended if necessary to provide more guidance on registering of gifts and hospitality and the process to be followed. A report informing how the changes have been taken forward to the staff process of registering gifts and offers of hospitality would be distributed to Committee members.</p> <p>RESOLVED</p> <ol style="list-style-type: none"> That the audit coverage and counter-fraud work completed during the second quarter, 2012/13 be noted. The Corporate Committee reviewed the management responses received for those audit recommendations not fully implemented and confirmed the managers actions taken during the quarter to address the outstanding recommendations as appropriate. 	<p>ACE</p> <p>ACE</p>
CC56	<p>DECISIONS TAKEN UNDER DELEGATED AUTHORITY, URGENCY AND SIGNIFICANT ACTIONS</p> <p>RESOLVED</p> <p>That the delegated decisions, significant actions, and urgent actions taken by directors since September 2012 be noted.</p>	
CC57	<p>ANY OTHER BUSINESS OF AN URGENT NATURE</p> <p>There no new items of urgent business.</p>	

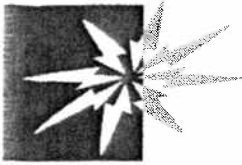
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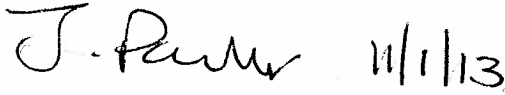
CC58	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>The following part of the minutes were exempt as they contained information as defined in Section 100a of the Local Government Act 1972; Para 1, 2, and 4, information relating to an individual and information likely to reveal an individual and information relating to an consultations or negotiations or contemplated consultations or negotiations in connection with any Labour relations matter arising between the authority and employees.</p>	
CC59	<p>EXEMPT MINUTES</p> <p>RESOLVED</p> <p>The exempt minutes of the CEJCC meeting held on 07th June 2012 and Special Committee minutes of the 25th September and 04th October 2012 be received.</p>	Clerk
CC60	<p>NEW ITEMS OF URGENT EXEMPT BUSINESS</p> <p>There were no new items of urgent business.</p>	

Cllr George Meehan

Chair

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Report for:	Corporate Committee 22 nd January 2013	Item number	
Title:	Pension Fund quarterly update		
Report authorised by :	 11/1/13 Director of Corporate Resources		
Lead Officer:	Nicola Webb, Head of Finance – Treasury & Pensions nicola.webb@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A		Report for Non Key Decision	

1. Describe the issue under consideration

1.1 To report the following in respect of the three months to 30th September 2012:

- Investment asset allocation
- Investment performance
- Responsible investment activity
- Budget management
- Late payment of contributions
- Communications

2. Cabinet Member Introduction

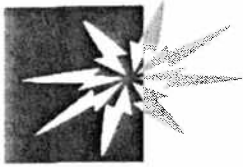
2.1 Not applicable.

3. Recommendations

3.1 That the information provided in respect of the activity in the three months to 30th September 2012 is noted.

4. Other options considered

4.1 None.



Haringey Council

5. Background information

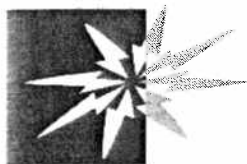
- 5.1 This report is produced on a quarterly basis to update the Committee on a number of Pension Fund issues. The Local Government Pension Scheme Regulations require the Committee to review investment performance on a quarterly basis and sections 13 and 14 provide the information for this. Appendix 1 shows the targets which have been agreed with the fund managers.
- 5.2 The Pension Fund has a responsible investment policy and section 15 of this report monitors action taken in line with it. The remainder of the report covers various issues which the Committee or it's predecessor body have requested they receive regular updates on.
- 5.3 Following the request at the Committee's meeting in September, information on communication with stakeholders has been provided by officers in Human Resources and included in section 18.

6. Comments of the Chief Financial Officer and Financial Implications

- 6.1 This is the first quarter reported to the Committee with the passive managers in place throughout. It can be seen from the performance figures in section 14 that the short term variances from target have reduced significantly as a result. The longer term figures will continue to reflect the underperformance of the previous active managers. The CBRE property portfolio outperformed the target for the second quarter in a row.

7. Head of Legal Services and Legal Implications

- 7.1 The Council as administering authority for the Haringey Pension Fund has an obligation to keep the performance of its investment managers under review. In this respect the Council must, at least every three months review the investments made by investment managers for the Fund and any other actions taken by them in relation to it;
- 7.2 Periodically the Council must consider whether or not to retain the investment managers;
- 7.3 In carrying out its review proper advice must be obtained about the variety of investments that have been made and the suitability and types of investment;
- 7.4 All monies must be invested in accordance with the Council's investment policy and members of the Committee should keep this duty in mind when considering this report and have regard to advice given to them.



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8. Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

9.1 Not applicable

10. Policy Implications

10.1 None.

11. Use of Appendices

11.1 Appendix 1: Investment Managers' mandates, benchmarks and targets

12. Local Government (Access to Information) Act 1985

12.1 Not applicable

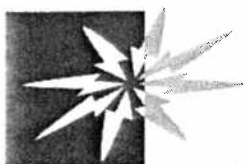


13. Investment Update

13.1 Fund Holdings at 30th September 2012

	BlackRock £000s	Legal & General £000s	CBRE £000s	Pantheon £000s	In-house £000s	Total £000s	% of Fund	Bench Mark %	Variance %
UK Equities	175,605	29,954	0	0	0	205,559	27.3	17.5	9.8
North America Equities	113,040	16,642	0	0	0	129,682	17.2	25.3	(8.1)
European Equities	41,763	40,015	0	0	0	81,778	10.9	8.6	2.3
Japanese Equities	10,583	29,198	0	0	0	39,781	5.3	4.1	1.2
Pacific ex Japan Equities	14,025	13,443	0	0	0	27,468	3.6	4.0	(0.4)
Emerging Markets Equities	0	38,966	0	0	0	38,966	5.2	10.5	(5.3)
Index linked Gilts	89,752	21,786	0	0	0	111,538	14.8	15.0	(0.2)
Corporate Bonds	0	28,608	0	0	0	28,608	3.8	0.0	3.8
Property	0	0	51,178	0	0	51,178	6.8	10.0	(3.2)
Private Equity	0	0	0	30,818	0	30,818	4.1	5.0	(0.9)
Cash	0	0	2,552	0	3,755	7,251*	1.0	0.0	1.0
TOTAL	444,768	218,612	53,730	30,818	3,755	752,627	100.0	100.0	0.0

* includes residual cash from previous fund manager portfolios, which is held at Northern Trust to fund Pantheon drawdowns



Haringey Council

14. Investment Performance Update: to 30th September 2012

Appendix 1 provides details of the benchmarks and targets the fund managers have been set. The tables below show the performance in the quarter July to September 2012.

14.1 Whole Fund

	Return	Benchmark	Target	(Under)/Out
Jul - Sep 2012	2.59%	2.73%	2.76%	(0.17%)
One Year	13.00%	12.93%	13.82%	(0.82%)
Three Years	7.46%	8.05%	9.44%	(1.98%)
Five Years	1.84%	3.48%	4.97%	(3.13%)

- Total Value at 30/09/12: £752.6m
- The fund performed slightly below target due to underperformance by Pantheon. Pantheon is benchmarked against the MSCI World index and during the quarter there was a small downward movement in the value of the holdings measured against a 5.03% increase in the MSCI World index.

14.2 BlackRock Investment Management

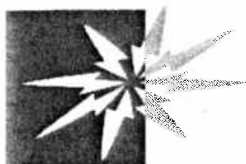
	Return	Benchmark	Variance
Jul – Sep 2012	2.75%	2.63%	0.12%

- Total Value at 30/09/12: £444.8m

14.3 Legal & General Investment Management

	Return	Benchmark	Variance
Jul - Sep 2012	3.20%	3.30%	(0.10%)

- Total Value at 30/09/12: £218.6m
- A variance will continue to be seen with the passive managers because the portfolios were transferred over in their existing allocations instead of at benchmark weights. Therefore the variance shows the out or under performance resulting from asset allocation being different to the benchmark.



Haringey Council

14.4 CBRE Global Investors

	Return	Benchmark	Target	(Under)/Out
Jul - Sep 2012	0.91%	0.40%	0.65%	0.26%
One Year	1.67%	2.83%	3.83%	(2.16%)
Three Years	6.98%	9.51%	10.51%	(3.53%)
Five Years	-5.03%	-3.57%	-2.57%	(2.46%)

- Total Value at 30/09/12: £53.7m
- The property portfolio outperformed the benchmark and target for the second quarter in a row. The longer term performance is still below target due to the underperformance of the European holdings in the portfolio.

14.5 Pantheon

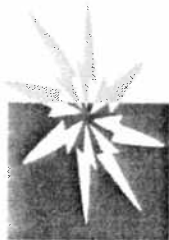
	Return	Distributions in period	Drawdowns in period	% drawdown
Jul - Sep 2012	-0.90%	£0m	£0.13m	
One Year	4.70%	£0.95m	£3.16m	
Since inception	2.39%	£1.49m	£27.40m	59.6%

- Total Value at 30/09/12: £30.8m
- There was little activity in the quarter with only 2 small drawdowns for the Asia fund and no distributions.

14.6 In house cash

	Value	Average Credit Rating	Average Maturity (days)	Return
At 30/09/12	£3.76m	AAA	1	0.38%
At 30/06/12	£30.93m	AAA	4	0.42%
At 31/03/12	£33.09m	AAA	8	0.42%
At 31/12/11	£28.54m	AAA	1	0.58%

- The cash was invested mainly in money market funds during the quarter. £25m was distributed to BlackRock and Legal & General during the quarter, so the cash balance has significantly reduced.



15. Responsible Investment Activity in the three months ended 30th September 2012

BlackRock	Legal & General	LAPFF
<p>15.1 Environmental Issues</p> <p>BlackRock met with Volkswagen during the quarter to discuss a number of issues. The topics included implementing its Corporate Social Responsibility system across it's regional offices globally, the importance of environmental relationships to business strategy and their approach to water usage and CO2 emissions.</p>	<p>Legal & General met with Glencore International during the quarter following their merger with Xstrata. Their discussion focused on the importance of a comprehensive environmental risk management system. As a result of the engagement the company committed to improving disclosure and enhancing their health and safety record.</p>	<p>The LAPFF has been engaging with Lonmin Mining following the incident in South Africa where 34 mineworkers were killed by police during a strike. The LAPFF has expressed concern about the matter and encouraged the Board to be cautious in its dealings with police and the local community. It also encouraged caution when issuing back to work orders while the situation is so volatile.</p>



BlackRock	Legal & General	LAPFF
15.2 Governance / Remuneration Issues		
<p>During the quarter, BlackRock met with Prudential plc to meet with the new Chairman to understand his plans for the future in particular in strategy and board structure. The plans for the appointment of a new senior independent director and two new independent non-executive directors were discussed.</p>	<p>At the Royal Dutch Shell AGM in May Legal & General opposed the remuneration report due to concerns about the structure of the annual bonus plan. Legal & General felt the bonus plan was not transparent, and was not sufficiently linked to environmental and social risks. Following on from this, Legal & General met with Royal Dutch Shell during the quarter to discuss their concerns. They felt this was a constructive meeting and Royal Dutch Shell agreed to engage with shareholders on these issues later in the year.</p>	<p>LAPFF co-filed a resolution at the News Corp AGM calling for an independent chair for the company, rather the role remaining combined as is the case currently. This followed many months of engagement with the company. The resolution was supported by 67% of the non family shareholders, but due to the proportion of shares owned by family members, it was not passed.</p>



BlackRock	Legal & General	LAPFF
15.3 Other Engagement activity		
<p>BlackRock have been engaging with Darty plc over a proposal from their main shareholder, an investment firm called Knight Vinke, for their own CEO to be elected to the board of Darty plc due to the company's financial performance.</p> <p>BlackRock engaged with both the company and the investment firm to understand the perspective of both. In the end Knight Vinke withdrew their proposal, but are reserving the right to raise the proposal again in 2013. BlackRock will continue to engage with both parties to ensure they support the best solution for shareholder value, as well as ensuring the company follow best practice in terms of governance.</p>	<p>During the quarter Legal & General met with the four biggest mining companies to discuss a number of issues including how to align pay better with shareholder value and to improve the link between health and safety and business strategy. They also discussed the issues arising from the strikes in South Africa and what policies they can put in place to limit problems in future.</p>	<p>LAPFF has joined other major shareholders in calling on the European Commission to press ahead with reforms in respect of the role of auditors. The reforms would limit the tenure of auditors to 15 years, rather than the current average 48 years and also limit the amount auditors could earn from non-audit work to 50% of their fees.</p>

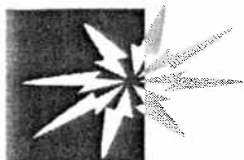


Haringey Council

16. Budget Management – position at 30th September 2012

	Budget £000	Actual £000	Variance (under)/ overspend £000
Contributions & Benefit related expenditure			
Income			
Employee Contributions	4,400	4,440	(40)
Employer Contributions	15,200	15,778	(578)
Transfer Values in	3,000	703	2,297
Total Income	22,600	20,921	1,679
Expenditure			
Pensions & Benefits	(19,700)	(19,956)	256
Transfer Values paid	(4,150)	(3,243)	(907)
Administrative Expenses	(350)	(399)	49
Total Expenditure	(24,200)	(23,599)	(601)
Net of contributions & benefits	(1,600)	(2,678)	1,078
Returns on investment			
Net Investment Income	3,500	2,320	1,180
Investment Management Expenses	(1,250)	(491)	(759)
Net Return on investment	2,250	1,829	421
Total	650	(849)	1,499

- At the end of September 2012, the Pension Fund budget was showing an overspend of £1.5m. The main reason for this is the very low value of transfers in during the first 6 months of the year. However a number of large transfers in have been received since the end of September which will improve the position.



Haringey Council

17. Late Payment of Contributions

17.1 The table below shows the employers who paid contributions relating to July to September 2012 late.

	Occasions late	Average Number of days late	Average monthly contributions
Mulberry School	2	21	£14,000
Northumberland Park Academy	1	12	£13,000
Hartsbrook Free School	1	4	£3,400
ESSL	1	1	£640
TLC	3	2	£5,600
Churchill	2	2	£770

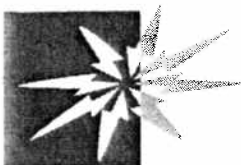
17.2 The new academy and free school paid their first contributions late, but since then have paid on time. Mulberry School paid late due to the school summer holidays, but have paid on time since. ESSL paid late once, but otherwise pay on time. Discussions are continuing with TLC and Churchill to ensure they pay on time in future.

18. Communication Policy

18.1 Two sets of regulations govern pensions communications in the LGPS: The Disclosure of Information Regulations 1996 (as amended) and Regulation 67 of the Local Government Pensions Scheme (Administration) Regulations 2008 as amended.

18.2 In March 2011, the Council approved the Pensions Administration Strategy Statement (PASS). The PASS sets out time scales and procedures which are compliant with the requirements of the Disclosure of Information Regulations. The PASS is a framework within which the Council as the Administering Authority for the Fund can work together with its Employing Bodies to ensure that the necessary statutory requirements are being met.

18.3 In June 2008 the Council approved the Policy Statement on Communications with Scheme Members and Employing Bodies. The Policy Statement identifies the means by which the Council communicates with the fund members, the employing bodies, elected members, and other stakeholders. These cover a wide range of activities which include meetings, workshops, individual correspondence and use of the internet. In recent times, the Pensions Web Page has been developed to provide a wide range of



Haringey Council

Employee Guides; Forms; and Policy Documents. Where possible, Newsletters and individual notices are sent by email to reduce printing and postage costs.

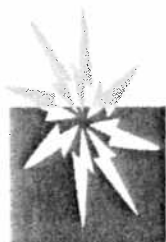
18.4 The requirement to publish a Communications Policy Statement recognises the importance that transparent effective communication has on the proper management of the LGPS.

Pensions Communications Q3 (1 st Oct 2012 – 31 st December 2012)		
Meeting with Employee Side Representatives	Joined meeting of the Corporate Industrial Relations Group to discuss workshops and publicity for workforce around Pensions Reform 2014	Nov.2012
Pensions Reform Leaflet 2014	Leaflet outlining Pensions Reform 2014 posted onto Haringey Pensions Web Page Leaflet also issue to Employing Bodies asking them to bring it to the attention of scheme members.	Nov.2012
Payslip Message	Payslip message sent to all staff drawing attention to updates on Haringey Web Page for Pensions Reform 2014 and Auto-enrolment.	
Workshop on Auto-enrolment	Presentation to Employing Bodies on Auto-enrolment with Hymans Robertson	
Posters and Leaflet on Auto-enrolment	Posters printed and distributed drawing attention to Auto-enrolment leaflet Leaflets emailed to Staff with an email address on SAP Leaflet posted onto Haringey Pensions Web Page. Staff invited to log onto the Pensions Web Page or request a hard copy from the Pensions Team. Managers and School Administrators also asked to print off hard copies on request from staff	

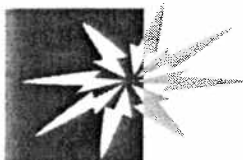


Appendix 1 – Investment Managers mandates, benchmarks and targets


Manager	% of Total Portfolio	Mandate	Benchmark	Performance Target
BlackRock Investment Management	55.7%	Global Equities & Bonds	See overleaf	Index (passively managed)
Legal & General Investment Management	29.3%	Global Equities & Bonds	See overleaf	Index (passively managed)
CBRE Global Investors	10%	Property	IPD UK Pooled Property Funds All Balanced Index	+1% gross of fees p.a. over a rolling 5 yr period
Pantheon Private Equity	5%	Private Equity	MSCI World Index plus 5%	+ 0.75% gross of fees p.a.
Total	100%			



Asset Class	Benchmark	BlackRock Investment Management	Legal & General Investment Management	Total
UK Equities	FTSE All Share	14.9%	2.6%	17.5%
Overseas Equities				
North America	FT World Developed North America GBP Unhedged	28.8%	23.7%	52.5%
Europe ex UK	FT World Developed Europe X UK GBP Unhedged	21.5%	3.8%	25.3%
Pacific ex Japan	FT World Developed Pacific X Japan GBP Unhedged	4.3%	4.3%	8.6%
Japan	FT World Developed Japan GBP Unhedged	2.0%	2.0%	4.0%
Emerging Markets	FT World Global Emerging Markets GBP Unhedged	1.0%	3.1%	4.1%
		0.0%	10.5%	10.5%
Index Linked Gilts	FTA Index Linked Over 5 Years Index	12.0%	3.0%	15.0%
		55.7%	29.3%	85.0%



Haringey Council

Report for:	Corporate Committee 22 nd January 2013	Item number	
Title:	Pension Fund: Asset Allocation advice		
Report authorised by :	 11/1/13. Director of Corporate Resources		
Lead Officer:	Nicola Webb, Head of Finance – Treasury & Pensions nicola.webb@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A		Report for Non Key Decision	

1. Describe the issue under consideration

- 1.1 This report considers the Pension Fund's current asset allocation and recommends movements towards the agreed strategic benchmark.

2. Cabinet Member Introduction

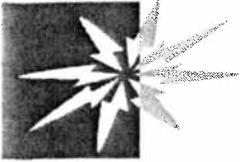
- 2.1 Not applicable.

3. Recommendations

- 3.1 That the asset allocation moves set out in the Advice Table on page 5 of Appendix 1 are implemented.

4. Other options considered

- 4.1 None.



Haringey Council

5. Background information

- 5.1 At the time of agreeing the new investment strategy for the Pension Fund, the Committee agreed the assets would be transferred to the new fund managers in their existing allocations and that asset allocation advice would be taken from the investment advisers, Aon Hewitt to move to the agreed strategy on a gradual basis taking into consideration conditions in the market.

6. Comments of the Chief Financial Officer and financial implications

- 6.1 The strategic asset allocation was agreed after much debate and this report recommends a clear way forward to move the Fund to this by the end of the calendar year. Making an early move completely out of corporate bonds and up to the full allocation in emerging markets should be beneficial to the performance of the Fund.

7. Head of Legal Services and Legal Implications

- 7.1 The Council as administering authority for the Pension Fund has the power to invest fund monies as set out in Local Government Pension Scheme (Management and Investment Funds) Regulations 2009.
- 7.2 All investments must comply with the Council's published investment policy and the asset allocation must be in accordance with the investment strategy adopted on 12 April 2011.

8. Equalities and Community Cohesion Comments

- 8.1 Not applicable.

9. Head of Procurement Comments

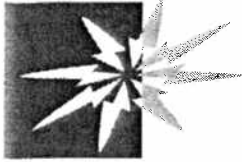
- 9.1 Not applicable.

10. Policy Implications

- 10.1 None.

11. Use of Appendices

- 11.1 Appendix 1: Aon Hewitt – Asset Allocation Process



Haringey Council

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

13. Asset Allocation

13.1 The Pensions working group met with Aon Hewitt to discuss the way forward for the movement of the Fund's assets to the strategic benchmark. The working group, with the support of officers and the Independent Adviser, proposed that a timescale be set for the completion of the move to the strategic benchmark. It is proposed the moves be completed by the end of December 2013, with a default position of moving 25% of the assets each quarter. The decisions to be considered by the Committee on a quarterly basis would then be whether to speed up or slow down the moves to reflect what is happening in the market at the time.

13.2 Aon Hewitt have prepared a report setting out their advice in light of this and this is attached at Appendix 1. This shows that overall the Pension Fund's allocation to equities is currently broadly in line with the benchmark. However within the regional areas, the UK is overweight and North America and Emerging Markets are underweight. The property allocation is also underweight, but this is a long term asset class which cannot be added to quickly. Property, along with other alternative asset classes, are currently being considered by the working group. Recommendations will be brought to the Committee once the review is complete.

13.3 Aon Hewitt have recommended that the planned moves take place for all asset classes except Corporate Bonds and Emerging Market equities. Corporate Bonds do not form part of the benchmark and so the current holding is a legacy from the previous strategy. Given the good performance seen during 2012 is unlikely to continue in 2013, Aon Hewitt advise selling all the Corporate Bonds. Emerging market equities are expected to perform well going forward and so it is recommended that the Fund moves straight to the benchmark position. These recommendations have been discussed with Aon Hewitt and are supported by officers and the Independent Adviser.



APPENDIX I

London Borough of Haringey
 Date: 7 January 2013
 Prepared for: Working Group
 Prepared by: Colin Cartwright
 Emily McGuire

Introduction

The Corporate Committee ("the Committee") of the London Borough of Haringey Pension Fund ("the Fund") has decided to move to the strategic benchmark over a period of time, taking into consideration the medium term asset allocation advice ("MTAA") advice from Aon Hewitt to move faster on an opportunistic basis if market conditions are favourable. The purpose of this note is to provide the working group of the Fund with a timetable and the process to consider advice from Aon Hewitt and take decisions on adjusting the asset allocation towards the strategic allocation. We also set out our advice on the first switch to be considered at the Committee meeting on 22 January.

Establishing the Objectives

An important step in establishing any process is to set the objectives that the process is designed to achieve. It is our understanding that the key objectives of the asset allocation process are as follows;

- To move the Fund's asset allocation to the strategic benchmark by the end of 2013
- To identify trends in underlying markets
- To realise in the short term outperformance from underlying regional equity markets without compromising the intention to move to the strategic benchmark by the end of 2013.
- To support the Working Group and Committee through the process.

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Asset Allocation

The strategic asset allocation and current (30 November 2012) allocation are set out in the table below:

	Overall		LGIM		BlackRock		CBRE		Panthleon	
	Strategic %	Current %	Strategic %	Current %	Strategic %	Current %	Strategic %	Current %	Strategic %	Current %
Listed Equities	70.0	69.8	26.3	22.5	43.7	47.3				
UK	17.5	27.5	2.6	4.0	14.9	23.5				
North America	25.3	16.8	3.8	2.2	21.5	14.7				
Europe ex UK	8.6	11.3	4.3	5.5	4.3	5.8				
Asia Pacific ex Japan	4.0	3.7	2.0	1.8	2.0	1.9				
Japan	4.1	5.2	3.1	3.8	1.0	1.4				
Emerging markets	10.5	5.2	10.5	5.2						
Index-linked gilts	15.0	15.1	3.0	3.0	12.0	12.2				
Corporate bonds	0.0	3.8	0.0	3.8						
Property	10.0	6.5					10.0	6.5		
Private equity	5.0	4.2							5.0	4.2
Cash	0.0	0.6								

Source: Northern Trust. Figures may not add up due to rounding.

The Working Group are currently undertaking a review of the Private Equity and Property allocations. Therefore, due to the illiquid nature of Private Equity and Property and the ongoing review they are not included in the rebalancing timetable. The asset allocation process is only focused on the equity and bond allocations.



Rebalancing timetable

In order to ensure that the Fund has reached its strategic benchmark by the end of 2013 we have designed a timetable that removes a quarter of each assets class's divergence from the strategic allocation each quarter. It should be noted that the actual movements will differ from the timetable amounts to reflect relative market movements over the year.

Rebalancing Timetable

Current Under/Overweight Position	Quarter 1 2013 %		Quarter 2 2013 %		Quarter 3 2013 %		Quarter 4 2013 %	
	Switch	Under/ Overweight	Switch	Under/ Overweight	Switch	Under/ Overweight	Switch	Under/ Overweight
UK	-2.5	+7.5	-2.5	+5.0	-2.5	+2.5	-2.5	0.0
North America	+2.1	-6.4	+2.1	-4.3	+2.1	-2.2	+2.2	0.0
Europe ex UK	-0.8	1.9	-0.7	+1.2	-0.6	+0.6	-0.6	0.0
Asia Pacific ex Japan	0.0	-0.3	+0.1	-0.2	0.1	-0.1	+0.1	0.0
Japan	-0.3	+0.8	-0.3	+0.5	-0.3	+0.2	-0.2	0.0
Emerging markets	+1.3	-4.0	+1.4	-2.6	+1.3	-1.3	+1.3	0.0
Index-linked gilts	0.0	+0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Corporate Bonds	-1.0	+2.8	-1.0	+1.8	-0.9	+0.9	-0.9	0.0

MTAA Process

In order for the MTAA strategy to be effectively pursued there needs to be a clear process for the provision, and Committee consideration, of Aon Hewitt's MTAA advice.

It is our proposal is that before each Working Group/Committee meeting (we understand they will be scheduled for the same day), Aon Hewitt provide the most recent asset allocation, along with a proposal on whether market conditions are conducive to move towards the strategic benchmark faster or slower than is timetabled on the previous page. This advice will be summarised in a format like the table on the next page, with the Aon Hewitt MTAA being rated either Positive, Negative or Neutral, and the rationale for any decisions made. We will also provide an outlook for markets.

The process is to move in a time efficient manner, in our advice we will not be making a recommendation to move funds in order to increase an underweight or overweight position for an underlying asset class.

Recommendation

Our recommendation is to use the process described in the paper to move towards the strategic allocation, making movements based on Aon Hewitt's advice at each quarterly meeting. Our recommendations are set in the table on the following page. There are two key recommendations with all other switches proceeding as timetabled:

- Sell corporate bonds to remove the overweight position this quarter.
- Buy emerging market equities to remove the underweight position this quarter.

The result of these switches is detailed in the table below.

	Strategic Allocation %	Current Allocation %	New Allocation %
Listed Equities	70.0	69.8	73.6
UK	17.5	27.5	25.0
North America	25.3	16.8	18.9
Europe ex UK	8.6	11.3	10.5
Asia Pacific ex Japan	4.0	3.7	3.7
Japan	4.1	5.2	4.9
Emerging markets	10.5	5.2	10.5
Index-linked gilts	15.0	15.1	15.1
Corporate bonds	0.0	3.8	0.0
Property	10.0	6.5	6.5
Private equity	5.0	4.2	4.2
Cash	0.0	0.6	0.6

Global Equity

Region	Current Price	Target Price	Upside Potential (%)	Current Price	Target Price	Upside Potential (%)
UK	17.5	27.5	+10.0	-2.5	Neutral	Sell 2.5% as timetabled
North America	25.3	16.8	-8.5	+2.1	Negative	Buy 2.1% as timetabled
Europe ex UK	8.6	11.3	+2.7	-0.8	Neutral	Sell 0.8% as timetabled
Asia Pacific ex Japan	4.0	3.7	-0.3	0.0	Neutral	Maintain underweight position as timetabled
Japan	4.1	5.2	+1.1	-0.3	Positive	Sell 0.3% as timetabled
Emerging Markets	10.5	5.2	-5.3	+1.3	Neutral	Buy 5.3% to move to benchmark
Index-linked gilts	15.0	15.1	+0.1	-	Negative	Maintain benchmark position
Corporate bonds	0.0	3.8	+3.8	-1.0	Negative	Sell completely to benchmark position

We have no strong views on UK equity, but are negative on US equities. We recommend making the timetabled move.

We believe that the valuations in North America are the least attractive of all equity regions and therefore we would recommend just the timetabled move to reduce the underweight.

The macroeconomic outlook for Europe is not good, however we feel valuations are very low for European stock markets, especially given that half of all revenues come from outside the region. We recommend making the timetabled move.

We currently have a neutral view on Asia Pacific equities, and are comfortable with the slight underweight with a zero first switch.

Despite strong performance in local currency terms we believe Japanese equities are still attractively priced. However, we recommend making the timetabled move to slightly reduce the overweight. After an extended period of emerging market underperformance, expectations have moved lower and relative valuations are now better aligned. We recommend moving to the benchmark position.

Index-linked Gilts are trading at historically low and even negative real yields. We would not recommend buying ILGs at the current time.

2012 corporate bond returns were very strong, but it looks unlikely to continue with valuations potentially at risk due to both spreads and gilt yields.

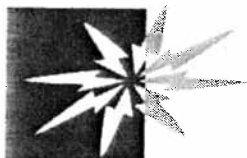
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Haringey Council

Report for:	Corporate Committee 22 nd January 2013	Item number	
Title:	Award of contract for Pension Fund Actuarial Service		
Report authorised by :	<i>J. Parker 14/11/13.</i> Director of Corporate Resources		
Lead Officer:	Nicola Webb, Head of Finance – Treasury & Pensions nicola.webb@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A		Report for Non Key Decision	

1. Describe the issue under consideration

- 1.1 This report seeks approval from Committee to award a contract for Pension Fund actuarial services.

2. Cabinet Member Introduction

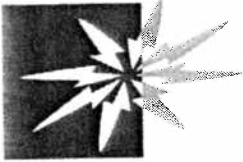
- 2.1 Not applicable.

3. Recommendations

- 3.1 That the Committee approve the award of the Pension Fund actuarial services contract to the actuary identified in the exempt appendix for a period of 4 years from 1st March 2013.

4. Other options considered

- 4.1 Following the Committee's agreement on 29th November 2012 to enter into a framework agreement for Pension Fund actuarial services, a mini competition was undertaken and the four tenders received were evaluated before making this recommendation.



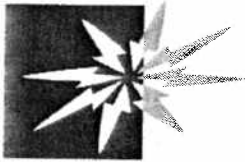
Haringey Council

5. Background information

- 5.1 The current actuarial service contract with Hymans Robertson expires on 28th February 2013 and a new appointment is required from 1st March 2013. Norfolk County Council has undertaken an OJEU compliant tender process for a framework agreement for Pension Fund actuarial services which is available for all Local Government Pension Fund administering authorities to use.
- 5.2 On 29th November 2012 Corporate Committee agreed to the Council entering into this framework agreement for Pension Fund actuarial services. This has enabled the selection of an actuary to be made through a process of mini competition, avoiding the need for a time and resource consuming full OJEU tender process.
- 5.3 The four actuaries on the framework agreement were invited to take part in the mini competition process and all four responded. A panel made up of officers and the Independent Adviser evaluated written responses to questions about how the service would be provided to the Council and what the price levels would be within the price ceilings set out in the framework. The actuaries then presented on their approach to actuarial valuations to the panel.
- 5.4 The responses were scored with 80% of the marks awarded for quality and 20% for price. The results of the evaluation are set out in the exempt appendix 1.

6. Comments of the Chief Financial Officer and financial Implications

- 6.1 The use of a framework has saved time and resource while at the same time ensuring that the procurement of pension fund actuarial services is compliant with OJEU requirements. A charge of £2,000 to use the framework was paid to Norfolk County Council to cover the costs in setting it up. The value of the contract over the contract period is estimated to be in the region of £240,000, depending on the work required. All actuarial work for the Pension Fund is charged to the Fund and any work undertaken specifically for an employer will be recharged to that employer.



Haringey Council

7. Head of Legal Services and Legal Implications

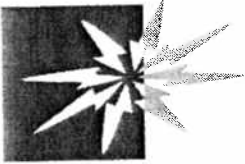
- 7.1 The Framework Agreement for actuarial services has been advertised in OJEU by Norfolk County Council for use by local authority pension fund administering authorities.
- 7.2 At its meeting on 29 November 2012, Corporate Committee approved the use of the Framework Agreement for the Council.
- 7.3 The award of individual contracts under the Framework Agreement may be undertaken by a process of mini-competition whereby economic operators capable of performing the contract are invited to tender. The Council's Corporate Finance Department has confirmed that this has been carried out.
- 7.4 The report recommends that an award is made to the contractor identified in the exempt section of this report.
- 7.5 Corporate Committee has power under CSO 3.03 to approve the award of the contract to the recommended bidder.
- 7.6 The Head of Legal Services confirms that there are no legal reasons preventing Members from approving the award of the contract.

8. Equalities and Community Cohesion Comments

- 8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

- 9.1 The National LGPS framework agreement is accessible to all local authorities for the procurement of an actuarial provider. By undertaking a mini-competition through the framework agreement the Council has avoided the need to undertake a full OJEU procurement process and has therefore saved on resources.
- 9.2 The Council will also benefit from the collaborative rebates offered to those accessing the framework.
- 9.3 Central Procurement supported the mini competition process, undertaken via the Delta e-sourcing system.



Haringey Council

- 9.4 The submissions were evaluated based on an 80% quality 20% price weighting. Central Procurement is therefore satisfied that the successful provider will offer a high quality service that is fit for purpose and best value to the Council.

10. Policy Implications

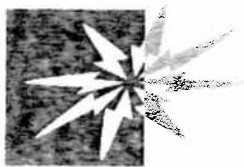
- 10.1 None.

11. Use of Appendices

- 11.1 Contained in Part B for exempt information.

12. Local Government (Access to Information) Act 1985

- 12.1 This report contains exempt and non-exempt information. Exempt information is contained in Part B and is not for publication. The information is exempt under the following category (identified in the amended Schedule 12A of the Local Government Act 1972): Information relating to the financial or business affairs of any particular person (including the authority holding that information) (Ground 3).

**Haringey Council**

Report for:	Corporate Committee 22 nd January 2012	Item Number:	
Title:	Exercise Of Pension Discretions In The Absence Of The Employing Body		
Report Authorised by:	Report Of Assistant Chief Executive P.O.D Signed <i>[Signature]</i> Dated 14/1/13		
Lead Officer:	I M Benson Pensions Manager Tel: 0208 489 3824 Email: ian.benson@haringey.gov.uk		
Ward(s) affected:	Report for Key Decisions:		

1. Describe the issue under consideration

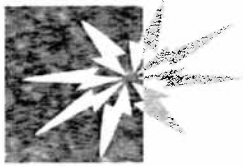
- 1.1. There are a number of scenarios (see 5 below) where the consent of a former employing body is required before benefits can be paid. The LGPS Miscellaneous Regulations 2012 make provision for the Administering Authority to exercise an Employing Bodies Discretionary Policy in circumstances where the relevant body no longer exists and there is no former employing body or successor body. (See appendix 1 attached)

2 Cabinet Member introduction

2.1 N/A

3 Recommendations

- 3.1 That in circumstances where a member's employing body no longer exists and there is no former or successor employing body, the Council in its capacity as Administering Authority of the Haringey Council Pension Fund exercise the employing body discretions arising under Regulations 30, 30A and 31 of the LGPS (Benefits, Membership and Contributions) Regulations 2007.



Haringey Council

3.2 Each case will be considered on its merits and have regard to the member's employing body Policy Statement. Approval is delegated to the Section 151 Officer.

4 Alternative options considered

4.1 N/A

5 Background information

5.1 There are a number of scenarios where the consent of the employing body or former employing body is required before a pension benefit can be paid or the actuarial reduction due on a pension benefit is waived or a medical opinion is required e.g :-

- A member with deferred benefits on or after age 55 but before age 60 can request the employing bodies consent to the early release of benefits
- A member who was retired with a Tier 3 Ill-health benefits that was suspended, can on or after age 55 but before age 60 request the employing bodies consent to the early release of those benefits
- A member with deferred benefits can apply to have benefits put into payment early on medical grounds.
- An employing body can agree to waive any actuarial reduction to benefits that arise due to early payment

5.2 Where the employing body or former employing body no longer exist and there is no successor body, it falls to the Administering Authority to exercise the discretion to release benefits early and to seek advice from an Independent Registered Medical Practitioner where a medical certification or opinion is required.

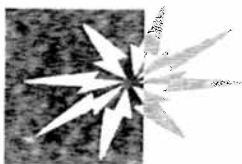
5.3 In coming to a decision the Council as the Administering Authority will have regard to all the circumstances of the case including reference to the Policy Statement published by the member's employing body. Costs would be spread across all the employers in the fund but if it was felt that the costs were unjustifiable, the request can be turned down.

6 Chief Financial Officer Comments

6.1 Costs to the Fund arising from decisions to waive actuarial reductions in these cases would be spread across all the employers in the Fund in the absence of an on-going employer, in accordance with the LGPS regulations. In considering each case individually, I would consider the financial implications for the Fund and it's employers in reaching a decision under the proposed delegation.

7 Head of Legal Services and legal implications

7.1 The Local Government Pension Scheme (Miscellaneous) Regulations 2012 makes various changes to the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. One such



Haringey Council

changes is set out in recommendation 3.1 and the Council as administering authority for the Haringey Pension Fund will be required to make a decision in such circumstances. Recommendation 3.2 sets out how and who will make that decision on behalf of the Council.

8 Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report

9 Head of Procurement Comments

N/A

10 Policy Implication

N/A

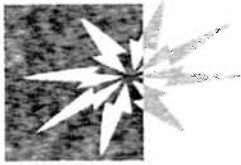
11 Reasons for Decision

11.1 Regulatory requirement arising from the LGPS Miscellaneous Regulations 2012.

Use of Appendices

Appendix 1 former employing bodies admitted to the Haringey Pension Fund which no longer exist.

12 Local Government (Access to Information) Act 1985

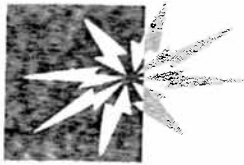


Haringey Council

Appendix 1

FORMER EMPLOYING BODIES WHICH ARE NO LONGER EXIST

	Employer	Deferred Members
	Community Support Services (Haringey) Ltd	34
	Jarvis Workspace FM Ltd	26

**Haringey Council**

Report for:	Corporate Committee 22 nd January 2012	Item Number:	
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Title:	Pensions (Discretionary) Policy Statement
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Report Authorised by:	Report Of Assistant Chief Executive P.O.D Signed <i>Stef X</i> , Dated 14/1/13
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Lead Officer:	I M Benson Pensions Manager Tel: 0208 489 3824 Email: ian.benson@haringey.gov.uk
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Ward(s) affected:	Report for Key Decisions:
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1. Describe the issue under consideration

1.1. As a result of amendments introduced by the Local Government Pension Scheme (Miscellaneous) Regulations 2010, Members are requested to approve an update to the Council's policy on the discretion to re-instate a suspended Tier 3 ill health retirement pension on application from a member on or after age 55 and before age 60.

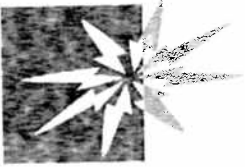
1.2 In addition, where this discretion is exercised in favour of a scheme member, the Council has a further discretion to waive any actuarial reduction that might otherwise be applied to the benefits.

2 Cabinet Member introduction

2.1 N/A

3 Recommendations

3.1 That item 3 of the Council's Policy Statement is amended to allow reinstatement of a Tier 3 Ill Health retirement pension only if the case can be considered on 'Compassionate Grounds' as defined in paragraph 5 of the Policy Statement Document (attached as Appendix 1) or otherwise where there is no financial disadvantage to the Council in doing so.



Haringey Council

3.2 Each case will be considered on its merits and will be subject to approval by the Section 151 Officer acting under delegated powers.

4 Alternative options considered

4.1 N/A

5 Background information

5.1 There are three tiers of Ill-Health retirement as follows:-

- Tier 1 where a member is permanently incapable of carrying out any gainful employment before Normal Retirement Age ;
- Tier 2 where the member is incapable of carrying out any gainful employment within 3 years of leaving but may be capable of gainful employment before Normal Retirement Age and
- Tier 3 where a member has a reduced capability of returning to gainful employment within 3 years.

5.2 In respect of a Tier 3 ill health retirement, the pension paid must be suspended if:-

- i. the members finds paid employment or
- ii. if following a medical review at 18 months the member is found fit for employment.

In all cases the pension must be suspended after a period of three years. Once suspended, the pension is held as a deferred benefit in the fund and becomes payable again when the member attains Normal Retirement Age.

5.3 The LGPS (Miscellaneous) Regulations 2010 amends the LGPS (Benefits, Membership and Contributions) Regulations 2007 to bring the option for members with a deferred benefit arising from the suspension of a Tier 3 ill-health retirement in line with the option that all deferred benefit members age 55 and under age 60 have to request early release their deferred benefits. (LGPS Benefits Regulation 30A)

5.4 The recommendation in this report mirrors the Council's current policy shown at paragraph 3 on the policy statement attached as Appendix 1.

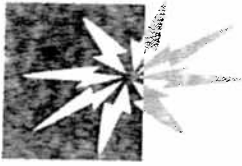
5.5 The Employees Side have been consulted on this report.

6 Chief Financial Officer Comments

6.1 The recommendation in this report proposes that the position for suspended tier 3 ill health retirees is brought into line with that already in place for other deferred beneficiaries. A cost to the Council only arises if the actuarial reduction which would be applied if benefits are taken early, is waived. The draft policy proposes that the only circumstances in which this would be considered is where there is no financial disadvantage to the Council in exercising this discretion or otherwise under compassionate grounds and that each case would be considered on it's merits by me.

7 Head of Legal Services and legal implications

7.1 The Local Government Pension Scheme (Miscellaneous) Regulations 2010 makes various changes to the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. It is therefore necessary for the Council in its capacity as the employing body to make certain amends the



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Policy Statement to bring it in line with relevant changes brought in by the 2010 Regulations.

8 Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report

9 Head of Procurement Comments

N/A

10 Policy Implication

N/A

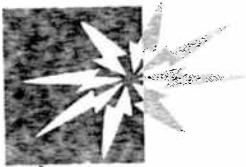
11 Reasons for Decision

11.1 Regulatory requirement arising from the LGPS Miscellaneous Regulations 2012.

Use of Appendices

Appendix 1 shows the amended Pensions Policy Statement.

12 Local Government (Access to Information) Act 1985



Haringey Council

Appendix 1

POLICY STATEMENT ON THE USE OF ITS DISCRETIONARY POWERS:

This Policy Statement sets out the Council's use of its discretionary powers under the Local Government Pension Scheme Regulations¹ and Local Government Pension Scheme Compensation Regulations.

The document can be viewed on the Harinet Pensions Page (click Personnel and follow the links) and the Haringey Pensions Web Page (www.haringey.gov.uk/pensionfund.)

The current policy was reviewed and updated by Corporate Committee on 20th January 2013

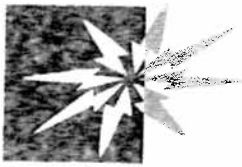
This policy statement only applies to scheme members employed by Haringey Council. Scheme members not employed by the Council must refer to the Policy Statement issued by their employing body.

Councillor Members should refer to Part 2

Part 1.A Pensions Discretions	
Employee Members	
1.	<p><u>Choice of early payment of pension (Regulation 30)</u></p> <p>This applies to members who cease employment after age 55 and before age 60 who elect for early payment of their retirement benefits.</p> <p>The Council's policy is to allow early payment of benefits as provided by Regulation 30 where there is a clear financial or operational advantage to the Council in doing so.</p> <p>The Council will consider waiving any actuarial reduction on 'compassionate grounds' as defined in Paragraph 5 of the Policy Statement below.</p> <p>Each case will be considered on its merits and will be subject to approval by the Section 151 Officer acting under delegated powers.</p> <p>Any Capital Cost arising will be met from Service / Business Unit budgets and will be paid into the Fund within a three month period.</p> <p>First and second tier Officers will require Member approval.</p>
2.	<p><u>Early Retirement on Redundancy and Business Efficiency (Reg 19)</u></p> <p>Members age 55 and over who are retired on redundancy or efficiency grounds have entitlement to immediate payment of unreduced benefits.</p> <p>Any Capital Cost arising from an early retirement on redundancy or business efficiency will be met from Service/Business Unit budgets and must be paid into</p>

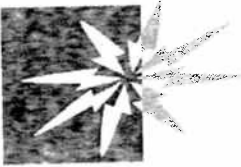
¹ The main scheme regulations referred to are :-

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
 The Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
 The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
 The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended).

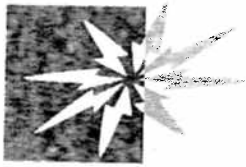


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	<p>the Fund within a three month period.</p> <p>Each case will be considered on its merits and will be subject to approval by the Section 151 Officer acting under delegated powers.</p> <p>First and second tier Officers will require Member approval</p>
3.	<p><u>Early payment of Deferred Benefits (Regulations 30 : 30A)</u></p> <p>A member who left with entitlement to Deferred Benefits or whose Tier 3 Ill Health Retirement Pension was suspended under Regulation 20(9)) can elect from age 55 to have the benefits put into payment early. An election made before age 60 requires employer consent.</p> <p>Benefits claimed before age 65 may be subject to an actuarial reduction unless the Council agrees to waive the reduction</p> <p>The Council's policy is to allow early payment of Deferred Benefits only if the case can be considered on 'Compassionate Grounds' as defined in paragraph 5 below or otherwise where there is no financial disadvantage to the Council for doing so.</p> <p>Deferred Member Benefits which began before 1st April 1997 can only be released early on 'compassionate grounds as defined in paragraph 5 below. There is no discretion to waive any actuarial reduction if an election to receive early payment of benefits from age 60 is made</p> <p>Each case will be considered on its merits and will be subject to approval by the Section 151 Officer acting under delegated powers.</p>
4.	<p><u>Flexible retirement (Regulation 18)</u></p> <p>The Council will consider applications for Flexible Retirement from scheme members age 55 and over.</p> <p>As a minimum requirement, a member's pay must reduce by at least four spinal points or the equivalent in reduced hours</p> <p>Both the transfer to a lower graded post or reduction in hours of work and the early release of retirement benefits is an employer discretion</p> <p>In considering Flexible Retirement both the needs of the member and the Service must be taken into account. Initial approval rests with the Service Chief Officer e.g. Assistant Director or equivalent with final approval by the y Head of Human Resources.</p> <p>The early release of benefits before age 65 has the potential to incur an actuarial reduction in benefits. The Section 151 Officer has delegated authority to waive any actuarial reduction, but only in exceptional circumstances that benefit the business and operational needs of the service. The cost to the Fund will be met from the Service budget.</p> <p>Acceptance of Flexible Retirement debars the member from changing their job to a post offering higher pay or increasing their hours within the Council or from returning to employment on higher pay with the Council for a period of not less than three years.</p> <p>The full Flexible Retirement Policy, Procedure and Documentation is available on Harinet (click Personnel and follow the links)</p>

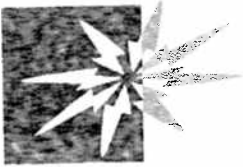
**Haringey Council**

5.	Discretion to waive an actuarial reduction under Regulation 30
	<p>Although the term compassionate grounds is not defined in the regulations, the Council's policy is to apply the following definition:-</p> <p>'Compassionate Grounds means that the scheme member is required to look after a sick dependant relative on a whole time basis, is therefore unable to take up gainful employment, and in consequence is suffering financial hardship.'</p> <p>In addition, the Council will satisfy itself that the sick dependant relative has a permanent long-term condition with a reasonable life expectancy having regard to his/her age.</p> <p>Each case will be considered on its merits and will be subject to approval by the Section 151 Officer acting under delegated powers</p>
6.	Awards of Added Membership Reg. 12
	The Council's policy is not to award additional membership
7.	Awards of Additional Pension Reg.13
	The Council's policy is not to award additional pension
8.	Payment of Death Grants for Active Members Regulation 23, Deferred Members Reg.32 and Pensioner Members Regulation 35,
	<p>A death grant will usually be paid in accordance with the member's nomination or, where there is no nomination, to the legal personal representatives. However where it is considered that:</p> <ul style="list-style-type: none"> a) an existing nomination may no longer reflect the member's intentions (for example there is a subsequent marriage, divorce or children) or, b) there is a deserving recipient (who must have been his relative or dependant at some time) who would otherwise be excluded by payment to the Estate or, c) payment to the Estate may be inappropriate for other reasons (for example where inheritance tax may be a factor if payment were made to the Estate). <p>Payment may be made in the manner and proportions the Council believe appropriate in the circumstances of the case.</p> <p>In all cases, the release of the Death Grant is delegated for approval to the Section 151 Officer.</p>
9.	Disregarding a break in full-time education for a Childs Pension to continue in payment.
	<ul style="list-style-type: none"> a. Where there is a break in full-time education or training, the Chief Financial Officer will decide whether such a break can be ignored on the child's return to full-time education or training b. The Chief Financial Officer will have regard to the circumstances of each case within the guideline that the break should not generally extend beyond 12 months from the beginning of one academic year to the end of one academic year, or include periods of full-time employment of more than three months c. Where the gap extends beyond the 12 month limit as described above, the child must be able to clearly demonstrate a clear intention to return to full-time education or training and has not undertaken paid employment as an



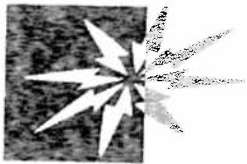
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	<p>alternative career option to returning to full-time education or training</p> <p>d. Where the Section 151 Officer deems it appropriate to ignore a break in full-time education or training, the child's pension will be reinstated from the re-commencement of full-time education or training or such earlier date as the Section 151 Officer deems appropriate based on the individual circumstance of the case.</p> <p>e. The exercise of this discretion will be reported to the Corporate Committee.</p>
10.	<p><u>Abatement (reduction) of pensions on re-employment</u></p> <p>Members of the Fund who commence re-employment or who return to Office after 31st March 1998 will be liable for an abatement in their pension in the circumstances described below.</p> <p>The abatement will be calculated in accordance with the provisions of Schedule 5 to the Local Government Pension Scheme Regulations 1995.</p> <p>Pensioner members who commence re-employment or return to Office in local government following retirement on medical grounds, or re-employment or return to Office with Haringey Council or its employing bodies in circumstances where the member has retired early with no percentage reduction to the retirement benefits will be subject to an abatement except in cases of Flexible Retirement agreed in accordance with Regulation 18.</p>
11.	<p><u>Waiving of time limits</u></p> <p>The Council's policy is to waive time limits set within the Pension Scheme Regulations² where it is satisfied that the individual could not have known of the requirement to make an election at the proper time.</p>
12.	<p><u>Medical clearance to purchase Additional Pension (ARCs) Regulation 23 (Administration Regulations)</u></p> <p>An application to purchase additional pension will only be accepted if the member makes a declaration that he/she is in reasonably good health and has not been seen by a medical practitioner within the last 12 months or otherwise where the member provides a report by a registered medical practitioner of the results of a medical examination undertaken at the member's own expense</p>
13.	<p><u>Attributing salary bands</u></p> <p>Salary bands are attributed on 1st April based on basic annual pensionable pay plus variable pensionable pay over the last twelve months.</p> <p>New starters to be attributed a salary band on the first day of membership based on basic annual pensionable pay.</p> <p>That with the exception of back-dated pay awards to 1st April, no variation will be made to a member's attributed salary band other than at each annual review date on 1st April of each subsequent year.</p> <p>To ensure the smooth implementation of this change any variation to this policy is delegated to the Head of Human Resources subject to approval at the next available meeting of Corporate Committee</p>



Haringey Council

14.	Shared Cost Additional Voluntary Contribution Scheme
	The Council's policy is not to provide a Shared Cost AVC scheme
Part 1.B Compensation Discretions	
Discretions exercised by Haringey Council in accordance with provisions of The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended) and the Local Government (Discretionary Payments) Regulations 1996 as amended	
1.	Compensation for Redundancy
	Compensation on redundancy will be based on ; 1 weeks pay for each complete year of service up to a maximum of 20 years total service.
2.	Rate of Pay for Redundancy Purposes
	The redundancy payment is based on the actual weekly rate of pay at the relevant date. (This is usually but not always, the date notice is given).
Injury Allowances	
3.	<p>An Injury allowance may be paid to an employee who sustains an injury or contracts a disease as a result of anything he/she was required to do in carrying out their work; and either:-</p> <p>Is certified as being permanently incapacitated and ceases employment. or</p> <p>Suffers a reduction in pay.</p> <p>In deciding on the amount of Injury Allowance payable, the Council takes into account all the circumstances of the case.</p> <p>The maximum amount payable is 85% of Final Pay.</p> <p>Injury Allowances in payment are reviewed annually, and at age 65.</p> <p>Each case is referred for a decision to the Section 151 Officer acting under delegated authority.</p>
4.	Gratuity Payments
5.	<p>Gratuities for Non- Pensionable Service: Summary of current Policy:</p> <p>Gratuities are paid to retiring employees for service with the Council during which they were not eligible to join the Local Government Pension Scheme.</p> <p>Part Time employees who worked at least 15 hours per week for 35 weeks a year can count service up to 31/3/1987 for gratuity entitlement.</p> <p>Part Time employees who worked less 15 hours per week can count service up to 16/8/1993.</p> <p>Gratuity payments do not apply to casual employment</p> <p>The payments are calculated on 3.75% of Annual Pay for each year of gratuity service as described above.</p> <p>The employee can choose between a once off lump sum or an annuity payment.</p>



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	<p>A Death Gratuity is also paid if an employee dies in Service.</p> <p>The Death Gratuity is paid to an employee's dependants. It is calculated on 3.75% of Annual Pay for all local government service up to 31/3/1987. It is payable to members of the Local Government Pension Scheme and non-scheme members alike.</p>
Part 2.A	
Councillor Members:	
1.	Voluntary early retirement from age 55
	<p>The Council will not exercise its discretion to release retirement benefits early to councillor members who cease or have ceased to be a member of the Council age 50 and under 65</p> <p>The Council will not exercise its discretion to waive the actuarial reduction for councillor members who cease to be a member of the Council and claim immediate payment of benefits</p>
2.	Re-employed pensioners – Abatement of pensions (Regulation 109)
3.	<p>The Council's policy is not to abate a pension in all cases except :-</p> <p>re-employment or return to Office in local government following retirement on medical grounds. or</p> <p>re-employment or return to Office with Haringey Council or its employing bodies in circumstances where the member has retired early with no percentage reduction to the retirement benefits</p>
4.	4. Waiving of time limits
	That the time limits set within the Pension Scheme Regulations will be waived where the member could not have known of the requirement to make an election at the proper time.
5.	Waiving restriction on entry to the Fund Regulation 7 (9)
	The Council's policy is not to restrict re-entry to the Fund where a member has previously elected to opt out more than once
6.	

Important Note:

Nothing stated above confers any statutory rights or overrides the provisions of the Local Government Pension Scheme and Compensation Regulations³ or related legislation.

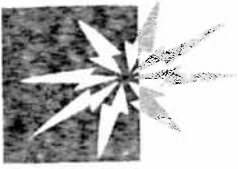
In the event of any dispute over your pension benefits, the appropriate legislation will prevail

For more information contact the Pensions Team at:-

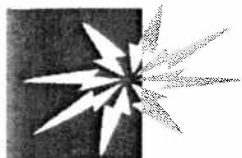
Alexandra House 10 Station Road London N22 7TR

Tel Number 020 8489 5916


E-Mail Pensions.Mailbox@haringey.gov.uk



Haringey Council



Haringey Council

Report for:	Corporate Committee 22 nd January 2013	Item number	
Title:	Treasury Management 2012/13 Quarter 3 Activity & Performance update		
Report authorised by :	 11/1/13 Director of Corporate Resources		
Lead Officer:	Nicola Webb, Head of Finance – Treasury & Pensions nicola.webb@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A		Report for Non Key Decision	

1. Describe the issue under consideration

- 1.1 This report updates the Committee on the Council's treasury management activities and performance in the third quarter of 2012/13.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That members note the Treasury Management activity undertaken during the third quarter of 2012/13 and the performance achieved.

4. Other options considered

- 4.1 None.



5. Background information

5.1 The Council approved the Treasury Management Strategy Statement for 2012/13 on 28th February 2012. Corporate Committee is responsible for monitoring treasury management activity and this is achieved through the receipt of quarterly reports. This report forms the third quarterly monitoring report for 2012/13.

5.2 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

The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds.

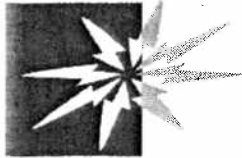
5.3 The quarterly reports during 2012/13 are structured to cover borrowing first and then investments according to these factors, so that members can see how they are being addressed operationally.

6. Comments of the Chief Financial Officer and financial implications

6.1 Interest rates remain low and so the strategy of minimising cash balances is continuing in 2012-13. Borrowing is being taken only when required and the majority of the loans have been taken from other local authorities at very low rates on short term bases. However longer term interest rates continue to be carefully monitored and in November 2012 £10m was borrowed from the PWLB when rates had temporarily fallen. The ability to take advantage of low interest rates in this way has resulted in the anticipated saving on the treasury management budget of £1m reported in the latest Cabinet budget monitoring report.

7. Head of Legal Services and Legal Implications

7.1 The contents and recommendation of this report are in accordance the Treasury Management Strategy Statement and consistent with legislation governing the financial affairs of the Council. 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.



Haringey Council

8. Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 None applicable.

11. Use of Appendices

11.1 Appendix 1: Summary of Treasury Management activity of performance
Appendix 2: Prudential Indicators

12. Local Government (Access to Information) Act 1985

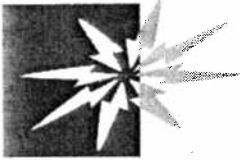
12.1 Not applicable.

13. Treasury Management Activity and Performance: Borrowing

13.1 The Treasury Management Strategy Statement places a high emphasis on security of the Council's funds. One of the ways to do this is to minimise the funds held which need to be invested. This is where the borrowing and investment strategies interact.

13.2 During the financial year to date officers have been managing cash balances to keep them to a minimum and only borrowing externally when it is required to meet the Council's obligations. £11.3m of debt matured in the third quarter, £7.3m of this was PWLB debt and the remainder was maturing local authority debt.

13.3 From 1st November 2012, the PWLB introduced a new reduced "certainty rate" which is 0.20% lower than the standard rates, in return for additional information about borrowing plans. The Council provided this information and so it is entitled to borrow at the lower rate. In the light of this and a short term fall in rates generally, Arlingclose, the treasury management advisers, advised that £10m of borrowing be taken from the PWLB in November. This was taken in two deals both for periods of 9 years to fit in with the Council's maturity profile. The first loan was taken at a fixed rate of 2.36% and when rates fell further the second was taken at 2.29%. Since then rates have been above 2.29% and at the time of writing it is 2.60%.



Haringey Council

13.4 In December, the level of cash fell and so a total of £5m was borrowed short term from other local authorities to maintain the Council's liquidity. Due to the availability of other local authorities willing to lend, it was taken in three deals.

13.5 The table below summarises the borrowing taken since the last report in September 2012.

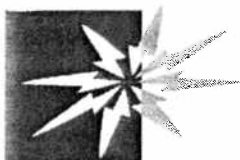
Month taken	Counterparty	Amount	Period	Interest Rate
Nov	PWLB	£5m	9 years	2.36%
Nov	PWLB	£5m	9 years	2.29%
Dec	Mid Devon District Council	£2m	3 months	0.29%
Dec	Oxford City Council	£2m	3 months	0.32%
Dec	Lewes District Council	£1m	3 months	0.32%

14. Treasury Management Activity and Performance: Security

14.1 The Council has sought to minimise its security risk by setting limits on each institution on the lending list. The Council has complied with all these limits during the financial year to date.

14.2 The economic environment remains uncertain, and given this background, the Council has kept cash investments to a minimum and short term. Money Market Funds continue to be used extensively as the portfolios are spread across a range of underlying investments, which diversifies risk. They also provide instant access enabling officers to take action quickly if there are any concerns about creditworthiness. The remainder of the Council's investments are with the government guaranteed Debt Management Office. Given the short term nature of the Council's investments, the very small uplift in interest rate achievable from investing with a bank is not sufficient to justify the additional risk.

14.3 The deposits continue to be spread across the available money market funds to further minimise security risk. The table overleaf shows the Council's deposits on 31st December 2012:



Haringey Council

Institution	Long Term Credit Rating	Amount (£m)	% of total deposits
Debt Management Office	AAA*	10,570	50.5
BlackRock MMF	AAA	2,000	9.5
Deutsche MMF	AAA	1,890	9.0
Goldman Sachs MMF	AAA	1,900	9.1
Invesco MMF	AAA	1,530	7.3
JP Morgan MMF	AAA	1,700	8.1
RBS MMF	AAA	1,360	6.5
Total		20,950	100.0

** The Debt Management Office does not have a credit rating, so the UK Government rating is used as a proxy.*

14.4 Arlingclose, the Council's treasury management advisers, have a way of scoring the level of credit risk the Council is taking. This measure scores credit risk on a scale of 0 to 10 on both a value weighted and a time weighted basis and the table below demonstrates how to interpret the scores:

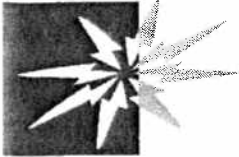
Above target	AAA to AA+	Score 0 - 2
Target score	AA to A+	Score 3 - 5
Below target	Below A+	Score over 5

14.5 The scores for the latest quarter are shown below alongside the previous three quarters for comparison:

	Quarter 4 2011/12	Quarter 1 2012/13	Quarter 2 2012/13	Quarter 3 2012/13
Value weighted	1.0	1.0	1.0	1.0
Time weighted	1.0	1.0	1.0	1.0

15. Treasury Management Activity and Performance: Liquidity

15.1 Once the Council is satisfied that security risk is being managed, the next consideration in treasury management is liquidity. The Council has a number of inflows and outflows every month and it is important that the Council's funds are managed to ensure there is sufficient liquidity when it is required. This is achieved through cashflow forecasting and monitoring.



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15.2 Liquidity has been maintained throughout the quarter. This has been achieved because no long term investments have been entered into and the AAA rated money market funds have been used extensively, as they provide the Council with instant access and a reasonable return.

15.3 The table below shows the Council's deposits at 31st December 2012, the term of each of the deposits and it also shows the calculated weighted average maturity of the portfolio.

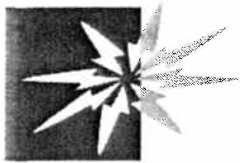
Institution	Term of deposit (days)	Amount (£m)
Debt Management Office	17	9,070
Debt Management Office	7	1,500
BlackRock MMF	1	2,000
Deutsche MMF	1	1,890
Goldman Sachs MMF	1	1,900
Invesco MMF	1	1,530
JP Morgan MMF	1	1,700
RBS MMF	1	1,360
Weighted Average Maturity	8.36	20,950

16. Treasury Management Activity and Performance: Yield

16.1 Only once security and liquidity have been considered and the Council is satisfied it has taken all steps to minimise these risks, should yield be a factor. Base rate has remained at 0.5% throughout the financial year to date and the Council's treasury management adviser, Arlingclose, is forecasting that it will remain at this rate until at least the middle of 2013 and probably as far ahead as 2015 or 2016.

16.2 The interest rates which money market funds are paying have reduced during the last quarter to between 0.30% and 0.40%. The Debt Management Office continues to pay 0.25% on all deposits regardless of the period of investment. By the end of the third quarter of the financial year, interest of £55k had been earned on the Council's deposits at an average rate of 0.38%.

16.3 Short term borrowing from other local authorities can currently be achieved at rates between 0.28% - 0.50% depending on the period. This is considerably lower than borrowing for longer from the PWLB, which costs up to 4.05% currently. The interest payable on borrowing during the three quarters of the year was £15.1m. The average rate payable on the borrowing portfolio is currently 5.47%.



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16.4 The low interest rates available for borrowing are the reason for the anticipated saving on the treasury management budget of £1m set out in the latest Cabinet budget monitoring report.

17. Icelandic Banks Update

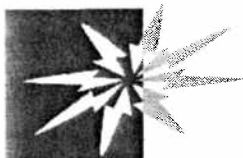
17.1 The distributions received from the Icelandic banks now total £23.9m out of the original £36.9m invested, which is 65%. Final recovery rates of 100% for Glitnir, 98% for Landsbanki and 86-90% for Heritable are still expected.

18. Prudential Indicators

18.1 The Council set prudential indicators for 2012/13 in February 2012. The set of indicators is made up of those which provided an indication of the likely impact of the planned capital programme and those which are limits set on treasury management activity. Appendix 2 sets out the original indicators, the current forecast for each of the capital indicators and the current position on each of the treasury management limits.

18.2 None of the limits on treasury management have been breached in the year to date. Borrowing is well within the operational and authorised limits set due to the continued policy of using internal cash balances to fund the capital programme.

18.3 CIPFA have removed the gross debt to net debt indicator from the Prudential Code as it did not achieve the purpose of providing transparency about the levels of borrowing in advance of need in authorities. Instead, as part of the prudential indicators reporting, the Council is required to report on whether the level of gross debt is higher than the Capital Financing Requirement (CFR). If it is, this indicates borrowing in advance of need, which should be explained. Indicator 7 in Appendix 2 shows the Council's gross debt is well within the CFR due to the policy of internal borrowing.



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Appendix 1: Summary of Treasury Management Activity & Performance

1. Treasury Portfolio

	Position at Q3 2012/13 £000	Position at Q2 2012/13 £000
Long Term Borrowing PWLB	208,155	205,901
Long Term Borrowing Market	125,000	125,000
Short Term Borrowing	20,000	23,000
Total Borrowing	353,155	353,901
Investments: Council	20,950	15,580
Investments: Icelandic deposits in default	12,995	13,918
Total Investments	33,945	29,498
Net Borrowing position	319,210	324,403

2. Security measure

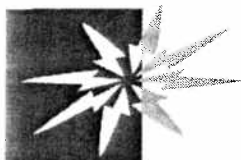
	Quarter 3 2012/13	Quarter 2 2012/13
Credit score – Value weighted	1.0	1.0
Credit score – Time weighted	1.0	1.0

3. Liquidity measure

	Quarter 3 2012/13	Quarter 2 2012/13
Weighted average maturity – deposits (days)	8.36	4.21
Weighted average maturity – borrowing (years)	27.2	28.5

4. Yield measure

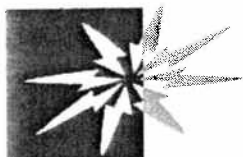
	Quarter 3 2012/13	Quarter 2 2012/13
Interest rate earned	0.36%	0.33%
Interest rate payable	5.46%	5.47%



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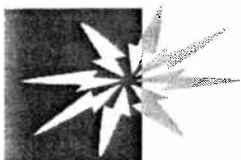
Appendix 2: Prudential Indicators

No.	Prudential Indicator	2012/13 Original Indicator	2012/13 Position/Forecast at Quarter 3
CAPITAL INDICATORS			
1	Capital Expenditure	£k	£k
	General Fund	44,350	38,400
	HRA	43,514	42,000
	TOTAL	87,864	80,400
2	Ratio of financing costs to net revenue stream	%	%
	General Fund	2.70	2.71
	HRA	15.35	13.87
3	Capital Financing Requirement	£k	£k
	General Fund	298,901	254,229
	HRA	272,854	271,714
	TOTAL	571,755	525,943
4	Incremental impact of capital investment decisions	£	£
	Band D Council Tax	1.31	0.72
	Weekly Housing rents	0.20	0.11




Haringey Council

TREASURY MANAGEMENT LIMITS				
5	Borrowing Limits	£k		£k
	Authorised Limit	788,917		353,155
	Operational Boundary	638,545		353,155
6	HRA Debt Cap	£k		£k
	Headroom	54,684		55,824
7	Gross debt compared to CFR			£k
	Gross debt			411,456
	CFR			525,943
8	Upper limit – fixed rate exposure	100%	95.48%	
	Upper limit – variable rate exposure	40%	4.52%	
9	Maturity structure of borrowing (U: upper, L: lower)	L	U	
	under 12 months	0%	40%	9.19%
	12 months & within 2 years	0%	35%	7.13%
	2 years & within 5 years	0%	35%	10.66%
	5 years & within 10 years	0%	35%	11.44%
	10 yrs & within 20 yrs	0%	35%	5.35%
	20 yrs & within 30 yrs	0%	35%	3.43%
	30 yrs & within 40 yrs	0%	35%	4.48%
	40 yrs & within 50 yrs	0%	50%	27.09%
	50 yrs & above	0%	50%	21.24%
10	Sums invested for more than 364 days	£0		£0
11	Adoption of CIPFA Treasury Management Code of Practice	√		√



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Report for:	Corporate Committee 22 nd January 2013	Item number	
Title:	Treasury Management Strategy Statement 2013/14 – 2015/16		
Report authorised by :	 Director of Corporate Resources		
Lead Officer:	Nicola Webb, Head of Finance – Treasury & Pensions nicola.webb@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A		Report for Non Key Decision	

1. Describe the issue under consideration

- 1.1 To present an update to the proposed Treasury Management Strategy Statement and Prudential Indicators for 2013/14 to 2015/16 before it is presented to full Council for final approval.

2. Cabinet Member Introduction

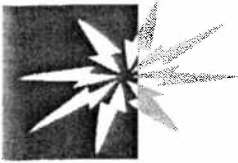
- 2.1 Not applicable.

3. Recommendations

- 3.1 That the proposed Treasury Management Strategy Statement and Prudential Indicators for 2013/14 to 2015/16 at Appendix 1 be recommended to Council for approval as part of the Financial Planning report.

4. Other options considered

- 4.1 None.



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5. Background information

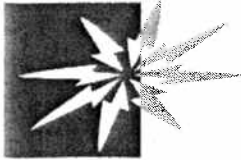
- 5.1 The CIPFA Treasury Management Code of Practice requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years.
- 5.2 An initial draft of the Treasury Management Strategy for 2013/14 to 2015/16 was presented to Corporate Committee on 29th November 2012. This was in advance of Cabinet agreeing the capital programme and so the Committee approved it subject to the figures being updated.
- 5.3 Cabinet met on 18th December 2012 and approved the capital programme enabling the figures in the strategy to be updated. The figures which have been updated are tables 1 to 9 in the strategy and prudential indicators 1 to 6 set out in Annex 1. No other changes have been made to the strategy.
- 5.4 All the figures in this document are based on current plans for the revenue budget and capital programme. This means they are subject to any further changes to these plans and, therefore, the statement will be updated for required adjustments before submission to full Council. Any such adjustments are expected to be minor.

6. Comments of the Chief Financial Officer and Financial Implications

- 6.1 The figures in this report have been updated in line with the capital programme agreed by Cabinet in December 2012. These changes do not alter the strategy of maintaining low cash balances and borrowing only when required, which was agreed at the Committee's meeting on 29th November 2012.

7. Head of Legal Services and Legal Implications

- 7.1 As mentioned in this report the Code of Practice requires the Council to agree a Treasury Management Strategy Statement (TMSS) (including an Investment Strategy). 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.
- 7.2 Legal comments were provided in the report to the Committee on 29 November 2012. As a result of the Cabinet approval on 18 December 2012 of the capital programme it is necessary to update the TMSS as



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set out in paragraph 5.3 of this report. These updates do not raise any further legal issues.

8. Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 None applicable.

11. Use of Appendices

11.1 Appendix 1: Revised Draft Treasury Management Strategy Statement
2013/14 – 2015/16.

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

**DRAFT Treasury Management Strategy Statement
and Investment Strategy 2013/14 to 2015/16**

Contents

1. Background
2. CIPFA Treasury Management Code of Practice
3. Balance Sheet and Treasury Position
4. Borrowing Strategy
5. Investment Policy and Strategy
6. Use of Financial Instruments for the Management of Risks
7. Housing Revenue Account Self financing
8. Outlook for Interest Rates
9. Balanced Budget Requirement
10. MRP Statement
11. Other Issues

Annexes

1. Detail of Treasury Position
 - A: General Fund Pool
 - B: HRA Pool
2. Summary of Prudential Indicators
3. Arlingclose's Economic and Interest Rate Forecast
4. Specified Investments
5. Lending List of counterparties for investments

1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the Communities and Local Government (CLG) Department's Investment Guidance.
- 1.2 CIPFA has defined Treasury Management as:
"the management of the organisation'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."
- 1.3 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are integral elements of treasury management activities and include Credit and Counterparty Risk, Liquidity Risk, Market or Interest Rate Risk, Refinancing Risk and Legal and Regulatory Risk.
- 1.4 The strategy takes into account the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates.
- 1.5 The purpose of this report is to propose:
 - Treasury Management Strategy - Borrowing in Section 4, Investments in Section 5
 - Prudential Indicators – these are detailed throughout the report and summarised in Annex 2
 - MRP Statement – Section 10

2. CIPFA Treasury Management Code of Practice

- 2.1 Adoption of the CIPFA Treasury Management Code of Practice is one of the Prudential Indicators. The Council originally adopted the Code of Practice in May 2002. Revisions to the Code in 2009 and 2011 have been reflected in updated versions of all policies and procedures.

3. Balance Sheet and Treasury Position

- 3.1 The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), together with Balances and Reserves, are the core drivers of Treasury Management activity. The estimates for each pool, based on the current proposed Revenue Budget and Capital Programmes, are:

Table 1a: Treasury Position – General Fund

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
General Fund CFR	254,229	251,066	240,206	228,322
Less: Share of Existing External Borrowing & Other Long Term Liabilities	183,907	156,488	148,731	141,598
Internal Borrowing	70,322	65,322	60,322	55,322
Cumulative Net Borrowing Requirement	0	29,256	31,153	31,402

Table 1b: Treasury Position – HRA

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
HRA CFR	271,714	271,714	271,714	271,714
Less: Share of Existing External Borrowing & Other Long Term Liabilities	264,482	204,043	195,272	188,016
Internal Borrowing	7,232	7,500	7,500	7,500
Cumulative Net Borrowing Requirement	0	60,171	68,942	76,198

- 3.2 The tables above show how the Council's capital requirement is funded currently and how it is expected to be funded in the coming years. Due to the differential between short and long term interest rates (discussed in more detail in section 4), the Council has maximised the amount of internal borrowing that can be done. As interest rates are not expected to rise over the next three years, it is anticipated that a significant level of internal borrowing will continue, with the only reduction expected reflecting the planned movement in reserves. The borrowing requirement at the bottom of each of the tables shows how much external borrowing will be required to fund maturing external borrowing.

- 3.3 Ensuring that gross external debt does not exceed the CFR over the medium term is a key indicator of prudence. There has been no difficulty meeting this requirement in 2012-13 to date, nor are there any difficulties envisaged for future years, as the levels of internal borrowing in tables 1a and 1b above demonstrate.
- 3.4 It is a requirement for the HRA CFR to remain with the limit of indebtedness or “debt cap” set by the Department of Communities and Local Government at the time of the implementation of self-financing. The table below shows the current expected level of the HRA CFR and the debt cap. Any decision by the Council to undertake new borrowing for housing will cause the future years’ debt predictions for the HRA debt pool to increase.

Table 2: HRA Debt Cap

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
HRA CFR	271,714	271,714	271,714	271,714
HRA Debt cap	327,538	327,538	327,538	327,538
Headroom	55,824	55,824	55,824	55,824

- 3.5 Table 3 below shows proposed capital expenditure over the coming three financial years. It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Table 3: Capital Expenditure

	2012/13 Approved £000	2012/13 Projected Out-turn £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
General	44,350	38,400	47,811	21,079	16,619
HRA	43,514	42,000	34,202	55,818	47,319
Total	87,864	80,400	82,013	76,897	63,938

- 3.6 Capital expenditure is expected to be financed or funded as follows:

Table 4: Capital Financing

	2012/13 Approved £000	2012/13 Projected Out-turn £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Capital receipts	11,130	9,609	16,073	10,128	7,600
Other grants & contributions	9,903	7,194	13,130	1,147	1,783
Government Grants	28,138	27,278	15,278	35,987	6,886
Reserves / Revenue contributions	33,219	30,941	28,657	28,588	47,669
Total Financing	82,390	75,022	73,138	75,850	63,938
Borrowing	5,474	5,379	8,875	1,047	0
Total	87,864	80,400	82,013	76,897	63,938

- 3.7 As an indicator of affordability the table below shows the incremental impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Table 5: Incremental Impact of Capital Investment Decisions

	2012/13 Approved £	2012/13 Projected Out-turn £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £
Increase in Band D Council Tax	1.31	0.72	8.77	1.41	0.36
Increase in Average Weekly Housing Rents	0.20	0.11	0.13	0.13	0.22

- 3.8 The ratio of financing costs to the Council's net revenue stream is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

Table 6: Ratio of Financing Costs to Net Revenue Stream

	2012/13 Approved %	2012/13 Projected Out-turn %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
General Fund	2.70	2.71	2.62	2.51	2.45
HRA	15.35	13.87	12.94	12.72	11.88

4. Borrowing Strategy

- 4.1 A breakdown of the Council's current and expected external borrowing plus other long-term liabilities is shown in Annex 1. This is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.
- 4.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

Table 7: Authorised Limit for External Debt

	2012/13 Approved £000	2012/13 Projected Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Borrowing	637,803	391,702	569,256	569,409	561,982
Other Long-term Liabilities	151,114	56,687	102,037	96,068	89,888
Total	788,917	448,389	671,293	665,477	651,870

- 4.3 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Table 8: Operational Boundary for External Debt

	2012/13 Approved £000	2012/13 Projected Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Borrowing	537,803	391,702	469,256	469,409	461,982
Other Long-term Liabilities	100,742	56,687	68,024	64,045	59,926
Total	638,545	448,389	537,280	533,454	521,908

- 4.4 The Director of Corporate Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of Corporate Committee.
- 4.5 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. The interest rate forecast provided in Annex 3 indicates that an acute difference between short and longer term interest rates is expected to continue until 2016. This difference creates a “cost of carry” for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment.
- 4.6 This “cost of carry” has been a feature of money markets since 2009-10 and by essentially lending its own surplus funds to itself (i.e. internal borrowing) the Council has minimised borrowing costs and reduced overall treasury risk by reducing the level of its external investment balances. As this position is expected to continue throughout 2013-14, there are no plans to replace this internal borrowing with external borrowing. However due to debt maturities in 2013-14, external borrowing of approximately £90m will be required.
- 4.7 The Council will adopt a flexible approach to this borrowing in consultation with its treasury management advisers, Arlingclose Ltd. The following issues will be considered prior to undertaking any external borrowing:
- Affordability;
 - Maturity profile of existing debt;
 - Interest rate and refinancing risk;
 - Borrowing source.

- 4.8 In conjunction with advice from its treasury management adviser, Arlingclose Ltd, the Council will keep under review the following borrowing options:
- PWLB loans
 - Borrowing from other local authorities
 - Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
 - Borrowing from the Money Markets
 - Capital markets (stock issues, commercial paper and bills)
 - Structured finance
 - Leasing
- 4.9 The “cost of carry” discussed above has resulted in an increased reliance upon shorter dated and variable rate borrowing. These types of borrowing inject volatility into the debt portfolio in terms of interest rate risk, however this is counterbalanced by its affordability and alignment of borrowing costs with investment returns. The Council’s exposure to shorter dated and variable rate borrowing is kept under regular review by reference to the difference between variable rate and longer term borrowing costs. A narrowing in the spread by 0.5% will result in a review of the borrowing strategy in conjunction with the Council’s treasury management advisers to determine whether the exposure to shorter dated and variable rates is maintained or altered.
- 4.10 The Council has £125m of loans which are LOBO loans (Lender’s Options Borrower’s Option) and all of them will be in their call period during 2013/14. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan at which point the Borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Council since the decision to call a LOBO is entirely at the lender’s discretion. As LOBOs currently make up 35% of the total external debt portfolio, this is a significant risk. Any LOBO called will be discussed with the Council’s treasury advisers prior to the acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted.
- 4.11 The Council’s debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs. The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring, although occasional opportunities arise. The rationale for undertaking any debt rescheduling would be one or more of the following:
- Savings in risk adjusted interest costs
 - Rebalancing the interest rate structure of the debt portfolio
 - Align long term cash flow projections and debt levels
 - Changing the maturity profile of the debt portfolio.

As opportunities arise, they will be identified by Arlingclose and discussed with the Council's officers. Borrowing and rescheduling activity will be reported to Corporate Committee as part of the quarterly monitor reports.

- 4.12 The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.
- 4.13 The Council's existing level of fixed interest rate exposure is 96.7% and variable rate exposure is 3.3%, however it is recommended that the limits in place for 2012/13 are maintained in future to retain flexibility.

Table 10: Fixed and Variable Interest Rate Exposure

	2012/13 Approved %	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	96.7	100	100	100
Upper Limit for Variable Interest Rate Exposure	40	3.3	40	40	40

- 4.14 The Council is required to set limits on the percentage of the portfolio maturing in each of the periods set out in the table below. Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt. The limits have been set to reflect the current debt portfolio, and to allow enough flexibility to enable new borrowing to be taken for the optimum period. The limits apply to the combined General Fund and HRA debt pools.

Table 11: Maturity Structure of fixed rate borrowing

	Lower Limit %	Upper Limit %
under 12 months	0	40
12 months & within 2 years	0	35
2 years & within 5 years	0	35
5 years & within 10 years	0	35
10 years & within 20 years	0	35
20 years & within 30 years	0	35
30 years & within 40 years	0	35
40 years & within 50 years	0	50
50 years & above	0	50

5. Investment Policy and Strategy

- 5.1 Guidance from the Communities and Local Government Department (CLG) on Local Government Investments in England requires that an Annual Investment Strategy be set.
- 5.2 The Council's investment priorities are, in this order:
- security of the invested capital;
 - liquidity of the invested capital;
 - an optimum yield which is commensurate with security and liquidity.
- 5.3 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Instruments proposed for the Council's use within its investment strategy are contained in Annex 4 and the list of proposed counterparties is shown in Annex 5. In keeping with the strategy of maintaining low investment balances while internally borrowing, it is proposed only to use specified investments during 2013/14. The Director of Corporate Resources, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Investment activity will be reported to Corporate Committee as part of the quarterly reports.
- 5.4 Money markets remain in a volatile state, with little economic growth in most developed countries and ongoing concerns about the creditworthiness of eurozone countries. Given this backdrop, it is proposed to continue to limit the proposed counterparty list to UK institutions and Money Market Funds only.
- 5.5 With all investments the Council makes there is a risk of default, so the proposed list of investments is prepared to minimise this risk by being selective about the counterparties to be used. It is proposed to continue to apply a minimum long term credit rating of A-, which is described as "high credit quality" by the rating agencies.
- 5.6 In addition to the minimum long term credit rating, the Council has in the past set a minimum short term rating. However, it is the long term rating that is the ultimate driver of creditworthiness of financial institutions. In the capital markets, the perceived credit standing of an institution is referenced by its long-term rating which represents an agency's view of an institution's capacity to honour its financial obligations and its vulnerability to foreseeable events. The long-term rating is the principal driver of a bank's funding costs and perceived creditworthiness internationally, and hence market sentiment towards that institution. Given the prominence of long term ratings, it is proposed to remove the reference to short term ratings in the lending list criteria.

- 5.7 All counterparties on the list are subjected to continual monitoring, in conjunction with the Council's treasury management advisers, to ensure that they continue to meet the high standard set. The range of information used to determine creditworthiness is:
- Credit ratings and credit rating watches
 - Credit Default Swaps (where quoted)
 - Sovereign support mechanisms/potential support from a well-resourced parent institution
 - Share prices
 - Macro-economic indicators
 - Corporate developments, news and articles, market sentiment.
- 5.8 If the monitoring reveals any concern about an institution's creditworthiness, it will be removed from the lending list with immediate effect. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office – either in the Debt Management Account Deposit Facility (DMADF) or UK Treasury Bills. (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.)
- 5.9 The Council currently banks with Nat West, which is rated A-. Even if the credit rating of the Council's bank falls below the minimum of A-, it is proposed that the bank will continue to be used for short term liquidity arrangements (overnight and weekend investments) and business continuity arrangements.
- 5.10 In order to diversify the investment portfolio, investments will be placed with a range of approved investment counterparties. Maximum investment levels with each counterparty are set out in Annex 5 will ensure prudent diversification is achieved.
- 5.11 Money Market Funds (MMFs) will be utilised and whilst they provide good diversification the Council will also seek to diversify any exposure by utilising more than one MMF. The Council will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF.
- 5.12 The Council is required to set an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. Given the current interest rate environment, the Council will not make investments for more than 364 days.

6. Use of Financial Instruments for the Management of Risks

- 6.1 The CIPFA Treasury Management Code of Practice requires the Council to state if and how it will use financial instruments, such as derivatives. Currently, local authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the Council does not intend to use derivatives. Should this position change, the Council may develop a detailed and robust risk management framework governing the use of derivatives, but such a change in strategy would require full Council approval.

7. Housing Revenue Account Self-financing

- 7.1 Central Government completed the reform of the Housing Revenue Account (HRA) Subsidy system at the end of 2011/12. Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the Department for Communities and Local Government.
- 7.2 The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Treasury Management Code of Practice recommends that authorities present this policy in the annual Treasury Management Strategy Statement.
- 7.3 On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long term loans borrowed will be assigned in to one pool or the other. Interest payable and other costs/income arising from long term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account.
- 7.4 Differences between the value of the HRA loan pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured periodically and interest transferred between the General Fund and HRA at the net average rate earned by the Council on its portfolios of treasury investments and short term borrowing.

8. Outlook for Interest Rates

- 8.1 The interest rate forecast provided by the Council's treasury management adviser, Arlingclose Ltd, is attached at Annex 3. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

- 8.2 This interest rate forecast shows that UK base rate is forecast to remain at 0.5% until 2016. This would mean that short term rates remain significantly lower than long term rates throughout 2013/14 and beyond. As discussed in section 4, for this reason it is anticipated that cash balances will be kept at a minimum throughout the financial year as the “cost of carry” will be significant for any borrowing taken before capital expenditure is incurred.

9. Balanced Budget Requirement

- 9.1 The Council complies with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget.

10. MRP Statement

- 10.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003.
- 10.2 The four MRP options available are:
Option 1: Regulatory Method
Option 2: CFR Method
Option 3: Asset Life Method
Option 4: Depreciation Method
- 10.3 MRP in 2013/14: The guidance states Options 1 and 2 may be used only for capital expenditure originally incurred when government support was available. Methods of making prudent provision for self financed expenditure include Options 3 and 4. There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.
- 10.4 It is a requirement for Council to approve the MRP statement before the start of the financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.
- 10.5 It is proposed the Council will continue to apply Option 1 (charge 4% per annum over 25 years) in respect of capital expenditure originally incurred when government support was available and Option 3 (charge over the life of the asset) in respect of all other capital expenditure funded through borrowing. MRP in respect of leases and PFI (Private Finance Initiative) schemes brought onto the Balance Sheet under the IFRS (International Financial Reporting Standards) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

11. Other Issues

Monitoring & Reporting

- 11.1 Corporate Committee will receive quarterly reports on treasury management activity and performance. This will include monitoring of the prudential indicators.
- 11.2 It is a requirement of the Treasury Management Code of Practice that an outturn report on treasury activity is produced after the financial year end, no later than 30th September. This will be reported to Corporate Committee, shared with the Cabinet member for Finance & Carbon Reduction and then reported to full Council. Overview and Scrutiny Committee will be responsible for the scrutiny of treasury management activity and practices.
- 11.3 Officers monitor counterparties on a daily basis with advice from the Council's treasury management advisers to ensure that any creditworthiness concerns are addressed as soon as they arise. Senior management hold monthly meetings with the officers undertaking treasury management to monitor activity and to ensure all policies and procedures are being followed.

Training

- 11.4 CIPFA's Treasury Management Code of Practice requires the Director of Corporate Resources to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.
- 11.5 Given the significant amounts of money involved, it is crucial members have the necessary knowledge to take treasury management decisions. Regular training sessions are arranged for members to keep their knowledge up to date.

Investment Consultants

- 11.6 The CLG's Guidance on local government investments recommends that the Investment Strategy should state:
"Whether and, if so, how the authority uses external contractors offering information, advice or assistance relating to investment and how the quality of any such service is controlled."
- 11.7 The Council has appointed Arlingclose Limited to provide information and advice about the types of investment the Council should undertake and the counterparties that should be used. Quarterly service review meetings take place to monitor the service and the appointment is formally reviewed in accordance with the Council's Contract Standing Orders.

ANNEX 1

Detail of Treasury PositionA: General Fund Pool

	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000	31 Mar 16 Estimate £000
Existing External Borrowing commitments:				
PWLB	69,947	61,844	57,520	53,944
Market loans	41,273	41,273	41,273	14,273
Local Authorities	16,000	0	0	0
Total External Borrowing	127,220	103,117	98,793	95,217
Long Term Liabilities	56,687	53,371	49,938	46,381
Total Gross External Debt	183,907	156,488	148,731	141,598
CFR	254,229	251,066	240,206	228,322
Internal Borrowing	70,322	65,322	60,322	55,322
Cumulative Borrowing requirement	0	29,256	31,153	31,402

B: HRA Pool

	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000	31 Mar 16 Estimate £000
Existing External Borrowing commitments:				
PWLB	136,755	120,316	111,545	104,289
Market loans	83,727	83,727	83,727	83,727
Local Authorities	44,000	0	0	0
Total External Borrowing	264,482	204,043	195,272	188,016
CFR	271,714	271,714	271,714	271,714
Internal Borrowing	7,232	7,500	7,500	7,500
Cumulative Borrowing requirement	0	60,171	68,942	76,198

ANNEX 2

Summary of Prudential Indicators

No.	Prudential Indicator	2013/14	2014/15	2015/16
CAPITAL INDICATORS				
1	Capital Expenditure	£000	£000	£000
	General Fund	47,811	21,079	16,619
	HRA	34,202	55,818	47,319
	TOTAL	82,013	76,897	63,938
2	Ratio of financing costs to net revenue stream	%	%	%
	General Fund	2.62	2.54	2.45
	HRA	12.94	12.72	11.88
3	Capital Financing Requirement	£000	£000	£000
	General Fund	251,066	240,206	228,322
	HRA	271,714	271,714	271,714
	TOTAL	522,780	511,920	500,036
4	Incremental impact of capital investment decisions	£	£	£
	Band D Council Tax	8.77	1.41	0.36
	Weekly Housing rents	0.13	0.13	0.22

No.	Prudential Indicator	2013/14	2014/15	2015/16			
TREASURY MANAGEMENT LIMITS							
5	Borrowing limits	£000	£000	£000			
	Authorised Limit	671,293	665,477	651,870			
	Operational Boundary	537,280	533,454	521,908			
6	HRA Debt Cap	£000	£000	£000			
	Headroom	55,824	55,824	55,824			
7	Upper limit – fixed rate exposure	100%	100%	100%			
	Upper limit – variable rate exposure	40%	40%	40%			
8	Maturity structure of borrowing (U: upper, L: lower)	L	U	L	U	L	U
	under 12 months	0%	40%	0%	40%	0%	40%
	12 months & within 2 yrs	0%	35%	0%	35%	0%	35%
	2yrs & within 5 yrs	0%	35%	0%	35%	0%	35%
	5 yrs & within 10 yrs	0%	35%	0%	35%	0%	35%
	10 yrs & within 20 yrs	0%	35%	0%	35%	0%	35%
	20 yrs & within 30 yrs	0%	35%	0%	35%	0%	35%
	30 yrs & within 40 yrs	0%	35%	0%	35%	0%	35%
	40 yrs & within 50 yrs	0%	50%	0%	50%	0%	50%
	50 yrs & above	0%	50%	0%	50%	0%	50%
9	Sums invested for more than 364 days	0	0	0			
10	Adoption of CIPFA Treasury Management Code of Practice	√	√	√			

ANNEX 3

Arlingclose's Economic and Interest Rate Forecast

	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15
Base Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3 month LIBID	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.50	0.55	0.55	0.55	0.60
1 year LIBID	0.90	0.90	0.95	0.95	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.10
5 yr gilt	0.80	0.90	0.90	0.90	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.20
10 yr gilt	1.90	1.90	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.20	2.20
20 yr gilt	2.80	2.80	2.80	2.80	2.90	2.90	2.90	2.90	3.00	3.00	3.00	3.00
50 yr gilt	3.30	3.30	3.30	3.40	3.40	3.40	3.50	3.50	3.50	3.50	3.60	3.60

Specified Investments

It is proposed that the Council only uses specified investments during 2013/14. Specified Investments are those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated.
- has a maximum maturity of 1 year.
- meets the “high credit quality” definition as determined by the Council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with UK banks and building societies
- AAA-rated Money Market Funds with a Constant Net Asset Value
- Treasury-Bills (T-Bills)
- Certificates of deposit with UK banks and building societies
- *Gilts: (bonds issued by the UK government)

** Investments in these instruments would only be undertaken on advice from the Council’s treasury management adviser.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent long-term ratings assigned by Fitch, Moody’s and Standard & Poor’s (where assigned).

Long-term minimum: A- (Fitch); A3 (Moody’s); A- (S&P)

The Council will also take into account the range of information on investment counterparties detailed in section 5.7.

Specified investments will be made within the limits detailed in the table below. The limits stated will apply across the total portfolio operated by the Council and so incorporate both Council and Pension Fund specific investments.

The limits for the period of investment are the maximum for the categories of counterparties. Lower operational limits will apply if recommended following a review of creditworthiness.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limits £m	Maximum period of investment
Term Deposits	UK	Debt Management Account Deposit Facility (DMADF), Debt Management Office (DMO)	No limit	6 months
Gilts	UK	Debt Management Office (DMO)	No limit	364 days
Treasury Bills	UK	Debt Management Office (DMO)	No limit	6 months
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	364 days
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Counterparties rated at least A- Long Term (or equivalent)	£20m per bank or banking group	364 days
AAA-rated Money Market Funds	UK/Ireland/ Luxembourg domiciled	Constant Net Asset Value Money Market Funds (MMFs)	£20m per MMF*; Group limit £100m	Instant Access

- * Limit per MMF to be no more than 0.5% of the Money Market Fund's total assets.

ANNEX 5

Lending List of counterparties for investments

This is the proposed list of counterparties which the Council can lend to, providing the counterparties meet the requirements set out in Annex 4 at the time of investment. The list will be kept under constant review and counterparties removed if the process described in 5.7 and 5.8 raises any concerns about their credit worthiness.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
Gilts, Treasury Bills, Term Deposits	UK	Debt Management Office (Term deposits with Debt Management Account Deposit Facility DMADF)	No limit
Term Deposits	UK	Other Local Authorities	£30m per local authority
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Barclays Bank Plc	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	HSBC Bank Plc	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Lloyds Banking Group including Lloyds TSB and Bank of Scotland	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Nationwide Building Society	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	RBS Group including Nat West Bank and Royal Bank of Scotland	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Standard Chartered Bank	20
Money Market Funds	Ireland	BlackRock Institutional Sterling Liquidity Fund	20
Money Market Funds	Ireland	BlackRock Institutional Sterling Government Liquidity Fund	20
Money Market Funds	Ireland	Goldman Sachs Liquid Reserves Fund	20

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
Money Market Funds	Ireland	Deutsche Managed Sterling Fund	20
Money Market Funds	Ireland	Invesco Short Term Investments Company Sterling Liquidity Portfolio	20
Money Market Funds	Luxembourg	J.P. Morgan Asset Management Sterling Liquidity Fund	20
Money Market Funds	Ireland	RBS Global Treasury Sterling Fund	20



LONDON BOROUGH OF HARINGEY

AUDIT PROGRESS REPORT JANUARY 2013

Work	Progress
Audit Planning – 2012/13	<p>As reported at the last Corporate Committee, we are working closely with the Council to prepare for the audit of the 2012/13 accounts. We will be carrying out our planning visit in the last week of January and our findings will be presented in our Accounts Approach Memorandum.</p> <p>We are working with CIPFA Financial Advisory Network (FAN) to provide workshops to support the closure of the 2012/13 accounts. Details of these workshops have been provided to the Council.</p>
Publications	<p>Towards a Tipping Point?</p> <p>We published our second financial health review of English local authorities in December 2012. With financial austerity due to continue until at least 2017, our financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls, to provide a summary update on how the sector is coping, drawing comparisons with last year's findings. Hard copies of the review has been provided to the Council, it can be accessed electronically via the following link:</p> <p>http://www.grant-thornton.co.uk/en/Publications/2012/Towards-a-tipping-point</p> <p>Grant Thornton's annual review of governance</p> <p>We will shortly be publishing our second annual review of governance arrangements in Local Government. Key issues drawn out of our review include:</p> <ul style="list-style-type: none"> - Councils are still opting not to produce annual reports, although it is recognised that they are a good idea and a good way to communicate to the public. There remains a transparency and accountability gap that could be bridged by annual reports. - Respondents to our survey remain very positive about underlying governance arrangements. However, our review highlights that there are potential assurance and efficiency gains to be made from proper assurance planning, starting with what will go in to Annual

	<p>Governance Statements.</p> <p>The underlying theme of our review highlights the need to have a culture that supports proper assurance and governance arrangements and that officers and members behave in the right ways to support this.</p> <p>We will provide the Council with copies of the review on publication.</p>
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Grant Thornton UK LLP

January 2013



Grant Thornton

London Borough of Haringey

Certification work report 2011/12

January 2013

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1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified 5 claims and returns for the financial year 2011/12 relating to expenditure of £395 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All claims were submitted on time and all were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	Overall the Council has continued to improve its performance and there are no significant matters arising from our certification of claims and returns.
Amendments and qualifications	As in the previous year, the Housing and Council Tax benefits scheme (BEN01) claim was qualified as a result of a recurring error in relation to the treatment of Child Tax Credits and Working Tax Credits. However unlike previous years the claim was certified before the deadline. Two claims were amended, these are the Teachers' pension return (PEN05) and Housing Revenue Account Subsidy (HOU01). The PEN05 was amended to exclude an academy school that was incorrectly included. The HOU01 was amended to correct calculation errors identified as part of the certification work.
Supporting working papers	Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.7 We have made one recommendation to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.8 Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

- 1.9 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP**January 2013**

2 Results of our certification work

Key messages

- 2.1 We have certified five claims and returns for the financial year 2011/12 relating to expenditure of £395 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		5		11		
Number of claims submitted on time	100%	5	100	11	11	→
Number of claims certified on time	100%	5	100	9	82	↑
Number of claims certified with amendment	0%	2	40	5	45	↑
Number of claims certified with qualification	0%	1	20	1	9	↓

- 2.3 This analysis of performance shows that:
- This demonstrates that overall the Council's performance in preparing claims and returns has more or less remained the same as in 2010/11. Only one claim was qualified this year, the Housing and Council Tax Benefit subsidy claim, which is consistent with the previous year
 - Fewer claims were amended in 2011/12, two against five in 2010/11. However due to the lower number of claims submitted overall this is, in effect relatively consistent with the prior year
 - All five claims were certified within the relevant deadlines set by the Audit Commission, which is an improvement on previous years.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.

- 2.5 We charged a total fee of £86,896 against an indicative budget of £90,500 for the certification of claims and returns in 2011-12. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.6 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

Grants co-ordination and supporting working papers

- 2.7 The Council has a grants co-ordinator, based in the Finance Directorate, who is our key point of contact when making arrangements to undertake our certification work, and liaises with key officers on all grants claims and returns. We send the grants co-ordinator the monthly Audit Commission's Certification Instruction index which gives an up to date list of the claims and returns that need to be submitted by each Council and by what date.
- 2.8 The supporting working papers provided for the majority of claims and returns were good and well referenced. This has enabled the certifications to be completed within the deadlines.

Certification of Housing and Council Tax Benefit Scheme

- 2.9 Testing of the Council Tax Benefit identified a recurring error in relation to the treatment of Child Tax Credits and Working Tax Credits. It was acknowledged by the Council in 2010/11 that there were weaknesses in the treatment of Tax Credits and this resulted in under and over entitlement of benefit. The magnitude and impact of the errors identified has been reduced since the prior year. The error has been mitigated in part by the introduction of the 'Automated Transfer to Local Authority Systems' (ATLAS). The implementation of ATLAS only took effect part way through the year and therefore manual errors were still made by benefit assessors in the first half of the year resulting in overpayment of benefit. The magnitude and impact of the errors identified did not have any impact on subsidy due to the Council.

2012/13 Fee

- 2.10 The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £52,950.
- 2.11 The fee assumes that there will be no qualification letters issued and there will be no instances of 40 plus testing on the housing and council tax benefits scheme claim.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£380	£380
Manager	£210	£210
Senior auditor	£135	£135
Other staff	£105	£105

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	301,544,556	No	N/A	Qualified without amendment	66,072	64,013	Slight decrease as less additional work required on errors identified compared to previous years.
National non-domestic rates return	58,432,895	No	N/A	No	10,779	5,650	Additional work required in 2010/11 due to manual adjustment made to the claim. No such issues for 2011/12.
Teachers' pensions return	16,730,242	Yes	(17,659)	Amended	3,760	5,125	Additional time to verify amendment and review of additional information requested from Teachers Pension.
Pooling of housing capital receipts	5,227,881	No	N/A	No	6,123	5,073	Slight decrease due to efficiencies.
Housing Revenue Account subsidy	,12,678,505	Yes	56,139	Amended	2,335	4,915	Additional time taken to agree capital financing to the working papers and work completed during the accounts audit.

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Reporting to those charged with Governance	N/A	N/A	N/A	N/A	4,500	2,120	
Total	394,614,079		38,480		93,569	86,896	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and council tax benefit scheme	<p>The main reason for this claim being qualified in 2011/12 was the assessment of a claimant's Child Tax Credit and Working Tax Credit not having been updated. This resulted in an overpayment of benefit. During 2011/12, the DWP introduced a new system, ATLAS, whereby tax credits data has been automatically downloaded into the Council's benefits system since 1st November 2011. This removes the risk of this error occurring for part of the 2011/12 claim year.</p> <p>To avoid assessment errors overall in the future, the Council should continue to ensure provision of training to officers and review procedures as appropriate. This will avoid overpayments being made to claimants and the possible negative impact on subsidy that would result. It will also help to ensure that the claim is not qualified again in the future.</p>	M	<p>Agreed as on-going</p> <p>Paul Ellicott – Head of Benefits and Local Taxation and Customer Services</p>

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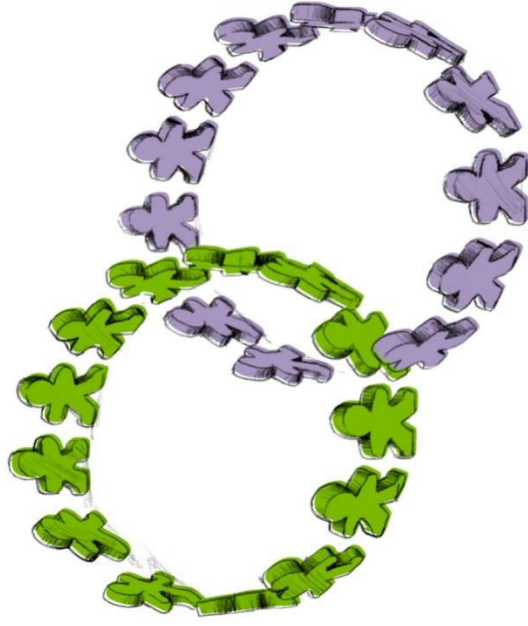
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London Borough of Haringey

Procurement Value for Money Review

December 2012



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1. Introduction

The way procurement is organised and managed varies significantly across the public sector, largely influenced by how organisations view the function's contribution to service delivery and Value for Money (VfM) objectives.

What has been recognised across the public sector is that failure to manage procurement effectively can be very costly, lead to reputational damage, and put the achievement of strategic objectives at risk.

A core principle of public sector procurement is that it must be based upon Value for Money, something widely promoted by the Office of Government Commerce (OGC) and more recently the Efficiency and Reform Group (ERG). In scrutinising organisations' delivery of VfM, the National Audit Office (NAO) has highlighted this is not about achieving the lowest initial price for goods or services, it is defined as:

"the optimum combination of whole life costs and quality"⁽¹⁾

The purpose of our review is to assess the overall adequacy of the Council's procurement organisation and its capabilities to support the achievement of Value for Money from procurement. In doing so we have considered not just procurement as carried out by the Council's Central Procurement Unit, but also the efficiency and effectiveness of the processes and tools the department has established to enable users to manage their local buying needs.

This Review

Our work is intended as a high level review of the overall adequacy of Haringey Borough Council's (the Council's) procurement organisation and its capabilities to support the Council in achievement of value for money from procurement activity.

Scope

In carrying out this review the scope of our work has been to:

- Evaluate the effectiveness of the current procurement functions in terms of:
 - Its objectives within the organisation
 - Ensuring compliance with internal and external procurement guidelines
 - Management of influenceable spend
 - Performance against recognised indicators of good practice
 - The level of procurement and buying activity managed outside the procurement function
- Consider the existing IT infrastructure and its readiness to support effective purchase to pay processes
- Review of the effectiveness of the Council's engagement with shared procurement arrangements and other procurement initiatives including joint energy management with the London Borough of Hackney

1. Introduction

Scope (Cont.)

- Specific review of shared procurement arrangements where the Council is taking the lead, for example the London Energy Project (LEP) and the London Construction Programme (LCP) on behalf of a pan-London group of local authorities. To include consideration of the risks involved in acting on behalf of others, for example the identification of fraud and the assessment of contractor viability.
- Review of the Council's arrangements to prevent anti-competitive practices by suppliers.
- Strategic review of the arrangements for the North London Strategic Alliance's aggregation of contracts, and the process for going out to market on those contracts.

Link to our Value for Money conclusion

We are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion).

The Audit Commission Code of Audit Practice 2010 describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

For the year ended 31 March 2012 we are required to give our conclusion based on the following two criteria specified by the Audit Commission:

- the Council has proper arrangements in place for securing financial resilience
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We agreed with the Council that we would review its procurement and contract management arrangements and identify areas for improvement as appropriate. This work supports the second of the two VfM criteria.

Next steps

Matters arising from this review have been reviewed with the Head of Procurement. We have made a number of recommendations, which are set out in the action plan at Appendix A. This has been reviewed and agreed with the Head of Procurement.

Use of this report

This report has been prepared solely for use by the Council and should not be used for any other purpose. No responsibility is assumed by us to any other person. This report includes only those matters that have come to our attention as a result of performance of the review.

Acknowledgements

We would like to record our appreciation for the co-operation and assistance provided to us by the Council's staff during the course of our review, in particular for the help and support provided by the Head of Procurement and his team

Grant Thornton UK LLP
December 2012

2. Approach

In considering the adequacy of the Council's procurement organisation and its capability to support the Council in achieving its Value for Money objectives, we have looked at the organisation and cost effectiveness of the department and the quality and efficiency of the procurement service.

During 2012 the Council has participated in the Public Sector Corporate Services benchmarking process run by the Chartered Institute of Public Finance Accountants (CIPFA). CIPFA's database was originally developed in conjunction with the UK Audit Agencies and is recognised as a leading source of peer group benchmarking for public sector value for money indicators. We have considered the results of this exercise and used it to inform our overall assessment.

A series of structured interviews were carried out with procurement staff and stakeholders in the procurement process from various directorates across the Council. A list of those interviewed is included in Appendix A.

Interviews with procurement staff are used to:

- Evaluate the clarity of understanding of the departments objectives and their roles and responsibilities in delivering those objectives
- Gain insight into the complexity of current processes and working practices
- Understand how effectively technology is used to support the effective delivery of procurement processes

Interviews with other stakeholders are used to understand:

- How effectively the procurement department engages with other directorates within the Council to provide services and support achievement of objectives.
- To what extent procurement strategy, policy and procedure are embedded throughout the Council.

A desktop review of various documents provided by the Council including policies, procedures and savings initiatives reports, was also carried out.

3. Executive Summary

Haringey is a densely populated borough in north London with a population of over 227,000. It faces a range of challenges in the delivery of procurement.

To complete our review we have made use of all available sources of information from the Council. As the Procurement Department had recently completed benchmarking with CIPFA's nationally recognised data set we have used the results of that work, rather than performing additional quantitative analysis. We then carried out a review of documented policies and conducted a number of structured interviews with stakeholders in the procurement process.

Where we have used the CIPFA benchmarking results, it has been considered against our assessment of procurement good practice and in context with the stakeholder interviews in order to develop a view of both cost efficiency and capability.

The key findings from our work are summarised as follows:

- The procurement function was restructured approximately twelve months ago moving from a devolved procurement organisation to a largely centralised model. This reorganisation included bringing Accounts Payable into the Central Procurement Unit.
- While still a work in progress, the aim of the reorganisation to release efficiency savings through a leaner, centrally managed, procurement function is being realised. The Council performs well in terms of cost efficiency when benchmarked against peers.
- Establishment of the CPU contributes to a strong sense of corporate identity for the function, which is recognised across the Council. This is strengthened by the Service Offer produced by Procurement as part of the Support Functions Review (SFR).
- The stakeholders interviewed as part of this review were generally satisfied with the service that they receive from the procurement function and identified increasing levels of support from the department.

- There is a written strategy for Procurement and for achievement of Value for Money (VfM) through procurement which articulates VfM objectives, savings targets and action plans to achieve its goals. The relevant parts of the strategy are generally well recognised by staff and customers of the department.
- The department achieves a high level of influence over third party spend, at the upper end of performance against peers.
- The Councils leads on a number of pan-London initiatives, including the London Energy Project, and provides resources into the shared service organisation established to deliver some of these initiatives. While this requires a great deal of commitment from the department's senior staff, it does place the Council at the heart of a number of initiatives generating significant savings and establishing good practice procurement.
- Reorganisation has led to both a reduction in staff numbers and increased recognition of Procurement roles as a service function to the Council. Success in increasing engagement with spending departments is leading to resources constraints which threaten future effectiveness.
- The department recognises further progress is required to ensure it has appropriate influence over expenditure and can provide assurance over compliance with internal and external purchasing guidelines. This issue was also raised as part of Internal Audit's Q1 review, and in line with Internal Audit's recommendations the department is working with Directorates to improve understanding and compliance.
- There is scope to better document the value for money considerations related to major ICT procurements.

4. Current Position

Overview

Procurement and related functions are delivered through the Central Procurement Unit, managed by a Head of Procurement.

The role of the Central Procurement Unit is to set up and manage contracts and frameworks, and also to provide guidance and support to departments depending on the risk and value of contracts. General guidance and support are also provided where required to assist departments in their own procurement related activity.

At the time of our review this department had 43 WTE staff, comprising 12 in Accounts Payable (plus 2 vacancies used for temps during seasonal peak times), 6 shared services staff that are fully funded externally and 23 procurement, business and energy management staff.

In the last twelve months the Council has seen procurement become centralised as part of the measures to manage the reduction in grant funding faced by the Council as part of the Coalition Government's Comprehensive Spending Review, which places local government in austerity measures up to 2015/16.

The latest restructure in 2011 resulted in Adults and Children's Services procurement joining other functions (e.g. construction, energy and accounts payable) that had already been centralised in previous years. These changes completed the integration of purchase to pay processes in order to drive out further efficiencies. The Council has estimated that to date this, plus better use of framework agreements, has resulted in a 70% improvement in the speed of awarding major construction projects.

The Council has also embarked on a number of initiatives to further its efficiency objectives with external partners. These include:

- Leading the London Energy Project (LEP) since 2006
- Leading the London Construction Programme (LCP) since 2011
- Formed an energy management shared service with Hackney Borough Council in 2012, having identified the opportunity for synergy and efficiency savings.
- Membership of the North London Strategic Alliance (NLSA) for purchasing efficiencies.

Based upon data for the financial year 2011/12, the Council incurred non-pay expenditure of approximately £490m.

The Council has a £1.5m procurement savings target over two years to 2013/14. This currently stands at £713k of cashable savings, with a further £210k planned to be achieved in 2013/14 as a result of the computer network re-tender exercise.

4. Current Position

In benchmarking the CPU's performance, we have made use of the CIPFA benchmarking analysis that was available and supplemented it with a selection of indicators which have been compared against a combination of our own benchmark data and other publicly available sources.

Against two high level measures of cost efficiency:

- Cost of Procurement as a % of organisational running cost, and
- Cost of Procurement as a % of third party spend

The Council's procurement function appears to be of relatively low cost, falling between the upper quartile and median performance for both measures.

It is important to recognise that procurement models in Local Government vary significantly, from centralised to highly devolved, and these benchmarks represent an average across those models . Notwithstanding, the Council's procurement function appears to be of relatively low cost for the size of organisation it serves.

Measures which consider the level of spend managed:

- Pre-established contracts
- Through buying groups, or
- Directly by procurement

are used to assess the level of influence the department has over the Council's third party expenditure.

One of the on-going initiatives within the CPU is to improve the visibility of and the CPU's ownership of contracts for goods and services that have been put in place around the Council. Moving from a highly devolved procurement model is a common challenge, but is essential in order to manage spending, apply consistent processes and reduce risks to the Council of non-compliant procurement or service failure.

Summarised Benchmark Analysis

Measure	Haringey	Upper Quartile	Median	Lower Quartile
Cost as % of Organisation costs	0.16	0.12	0.22	0.26
Cost as % of 3rd party spend	0.4	0.25	0.47	0.56
Spend through pre established contracts	79%	88.7%	65.6%	48.8%
Spend actively managed by procurement	77%	87%	61.5%	40%
Spend through buying organisations	£106m - 22%	16%	12.5%	8.5%
3rd party spend managed electronically	62%	58%	32.5%	6%
% of qualified procurement professionals	<25%	76%	68%	64%

● Council performance against benchmarks

4. Current Position

While it is not common for the Accounts Payable (AP) function to sit within Procurement, it does allow clarity of ownership in the end to end Procure to Pay process. The Council brought AP into the CPU to increase process ownership and drive greater efficiency.

Some aspects of AP's role, with regard to payment of Housing Benefit and Grants, are outside the remit of the CPU. The whole function was transferred because of the potential efficiencies to be gained in the third party payment process.

To evidence progress in this areas Council has benchmarked it's performance, over the last six years, against CIPFA's data, as shown in the table opposite.

- From 2007-2012, the cost and number of invoices has reduced
- The average cost per invoice has reduced over the period to £2.70 which is on a par with the benchmark average
- Staff costs have reduced over the period and are now significantly lower
- The percentage of normal invoices has reduced over the period, broadly in line with the average

Efficiencies have been driven through improved compliance with procedures, enabling more effective three way matching (Purchase Order, Goods Receipt and Invoice) and through efforts with suppliers to redesign how invoices are received. For example, review of the purchase to pay process for agency staff has enabled the Council to substantially reduce the volume of invoices processes from in excess of 40,000 per annum to around 24. These are also now loaded into SAP electronically.

Summarised Benchmark Analysis (source: CIPFA Benchmarking)

Measure	2007	2008	2009	2010	2011	2012
Cost £000	864	818	768	720	572	509
Invoices	231,987	231,373	234,638	238,419	204,755	188,224
Cost/invoice	£3.72	3.54	3.27	3.02	2.79	2.70
Average	£2.43	2.55	2.58	2.67	2.67	2.70
Staff	2.50	2.47	2.37	2.25	-	2.15
Average	£1.50	1.59	1.57	1.67	1.64	1.64
IT	£0.29	0.35	0.32	0.22	-	0.18
Average	£0.28	0.31	0.32	0.33	0.34	0.34
Other costs	0.94	0.71	0.58	0.55	-	0.38
Average	0.58	0.59	0.62	0.63	0.64	0.67
% Normal Invoices	91%	91%	69%	65%	-	66%
Average	73%	70%	70%	68%	65%	63%

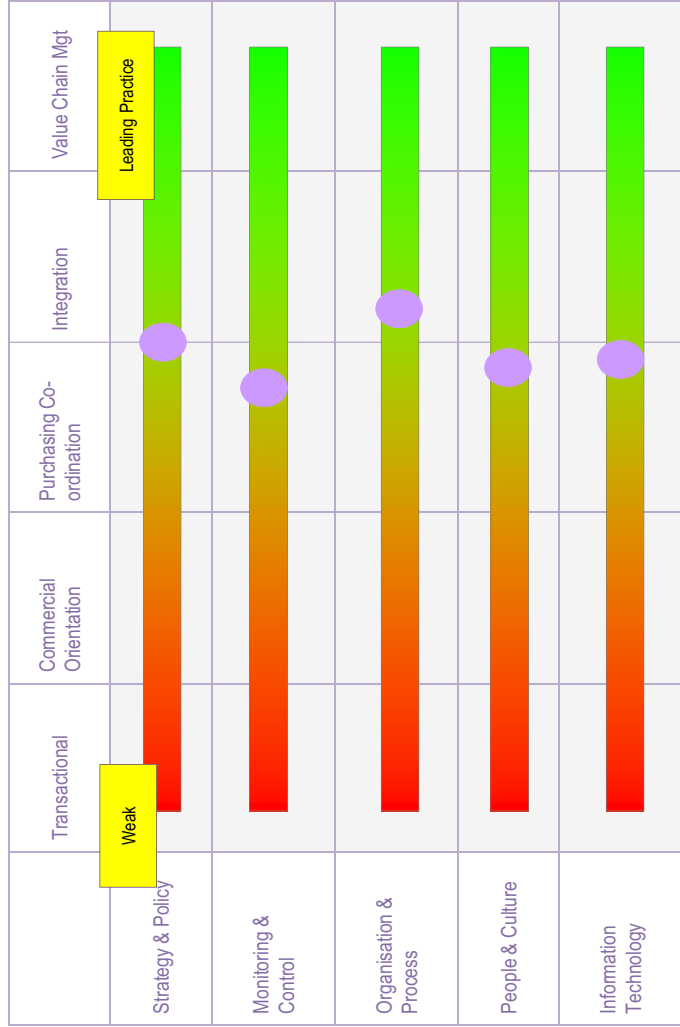
4. Current Position

Qualitative Assessment

To assess the relative maturity of the procurement function against leading practice, a series of interviews were carried out with stakeholders across the Council. Responses from these interviews, plus opinions formed from our observations were considered against a recognised set of criteria to assess the overall maturity of the function. This assessment has been plotted against a maturity profile to represent our assessment of current procurement activity. The fundamental elements of the maturity profile are:

- Strategy and Policy - defining how procurement operates to support delivery of the Council's strategic aims, with clear executive sponsorship
- Monitoring and Control - core Management Information which provides sufficient visibility of both internal and supplier performance to support management and decision making
- Organisation and Process - standardised processes, supported by the right tools which provides stakeholders with a simple buying process
- People and Culture - a proactive function with visibility across the Council's procurement activity and with the remit and capacity to support and guide all buying activities
- Information Technology - IT is a key enabler in the Purchase to Pay (P2P) cycle, focusing activity into standardised, controlled processes and providing a mechanism to both promote discipline and deliver efficiencies.

Summarised Maturity Profile



The Council's performance, in each category, is represented by the purple circle. A more detailed maturity profile showing the main characteristics in each category is included in Appendix B.

4. Current Position

Strategy and Policy

National Audit Office (NAO) guidance has highlighted that organisations must take a strategic approach to procurement, in terms of what is bought and how they go about buying it. In delivering procurement as a service, the department's strategy has been to establish contracts and access to collaborative procurement agreements for a large proportion of regularly purchased goods and services. This enables a large proportion of buying activity to be carried out by local/departmental staff, but within a framework and defined set parameters managed by the central procurement department.

The role of procurement, in the delivery of public sector efficiency, is well recognised and has been consistently highlighted by agencies of the Government for many years. As such, processes in relation to procurement should be embedded throughout the organisation.

With significant grant funding cuts continuing over the next few years, the procurement function has a key role in ensuring cashable savings and longer term sustainable cost savings opportunities are identified and achieved. The Council has a written procurement strategy which clearly articulates how the department will work with the organisation to deliver its strategic objectives. From our review of the strategy document, this covers the period 2010-2013. Departments, to the extent that they are involved, are included in the process of developing the overall strategy. We note that the strategy is aligned to the Council's wider efficiency programme and other objectives.

The Procurement Strategy provides the framework for the Council's intentions in respect of pursuing procurement excellence and achieving value for money. It contains key actions for the Council to enable it to achieve its aspirations. These are identified separately across all departments within the Council and also the responsibilities for other stakeholders including suppliers. Measures for monitoring performance against these objectives are articulated within the document.

From our interviews we understand that the Procurement Strategy is well communicated in general and departments are aware. Levels of engagement differ but are generally appropriate to roles and responsibilities. Interviewees in general believe that the value for money strategy is embedded in the procurement strategy and measured using KPIs. The centralised monitoring of procurement activity by the CPU is found to be very helpful and further work on this was encouraged by interviewees.

The procurement strategy has identified £10m of procurement savings across the Council through initiatives such as:

- contract review
- re-negotiation of contracts
- consolidation of supplier accounts
- use of e-auctions
- re-tendering
- collaborations with external partners

We note that the strategy document is comprehensive and forward looking. The Council should ensure that the strategy is reviewed and approved with revisions made regularly and in particular in response to changes in the Council's wider strategic planning.

4. Current Position

Monitoring and Control

As a public sector body, the Council has a requirement to ensure procurement is carried out both legally and fairly as well as being subject to the increasing need, across the public sector, to prove value for money in all that it does.

Effective monitoring and control is important for procurement from several perspectives:

- The department's ability to manage its own performance
- To ensure compliance with internal and external procurement guidelines
- Management of supplier performance

Departmental Performance

The Council prepares a range of performance and activity indicators, for internal use, on a regular basis covering:

• Accounts payable performance	Monthly
• Construction programmes	Quarterly
• Contract & vendor numbers	Monthly
• Energy & sustainability	Quarterly
• Supply chain (spend)	Quarterly
• Supplier performance	Annually
• Procurement savings V target	Quarterly

In some cases, departments feel that Procurement staff may not be fully conversant with the issues of the particular sector, but in general the support is good. Procurement challenge activity and report monthly on project progress. Some departments noted that greater challenge would be welcome.

Those interviewed did not seem clear in all cases regarding the exact savings level required.

The Council has implemented a software tool called Procuretrak which enabled them to perform analysis of historic expenditure across large volumes of spend data. The ability to perform this type of analysis is an important tool for the procurement function providing detailed management information to enable evidence based procurement decisions. The Council has used this analysis to gain a detailed overview of spending across departments and identify and prioritise cost reduction and expenditure rationalisation options.

When asked about how value for money, from procurement activity, was monitored or evidenced, interviewees struggled to identify any particular monitoring process or tools. Given the increasing focus on value for money in the public sector and the savings initiatives the Council can identify, there may be value in maintaining a schedule of current initiatives and indicative or expected savings, by department, to improve visibility of procurement role in delivery of departmental savings targets, an example of this type of schedule is included in Appendix D.

4. Current Position

Compliance

From our interviews there was a broad understanding of the importance of ensuring procurement activity is compliant with the Council's Contract Standing Orders (CSO's) and external regulation.

The level of spend managed through the Council's existing contracts, buying groups, or directly by the CPU provides some evidence of compliance. However, interviewees found it difficult to identify how compliance was assured. The Head of Procurement also recognised the need for improved monitoring and mechanisms to ensure compliance. As a specific example, concerns were highlighted about some departments continuing to use out of date waiver forms that do not require input from procurement. This concern reflects a key finding from Internal Audit's Q1 2012/13 report.

In line with their recommendations management focused improvement efforts on education for the departments and senior level engagement with Heads of Department and periodic review of spend data to identify spend which should be managed through a contract.

Supplier Performance

A measure of supplier performance is recorded in SAP at the point of good or service receipt, with the forced opportunity for the recipient to indicate Poor, Satisfactory or Excellent performance. For the three months of 2012/13 the proportion of suppliers being marked as poor was:

- April 1%
- May 0%
- June 0%

Monitoring and management of supplier performance is largely undertaken by departments, as they maintain the relationships with suppliers, but interviewees noted that they can rely on support of CPU where necessary.

In Construction Services, a formal supplier audit process is being developed and at the time of our review this process was being piloted with a view to roll out in support of the London Construction Programme (LCP).

Organisation and Process

The Council has been moving from a highly devolved procurement organisation to a centrally managed procurement service. This move is a key element in transforming procurement performance in terms of efficiency and effectiveness.

The transition has included moving a number of procurement and contracting staff from departments to the Central Procurement Unit (CPU). While these staff have typically remained within their area of specialism this model enables:

- consistent application of strategy and internal control
- efficient use of resources through some consolidation of activities and movement of resources to support projects

Management describe development of the CPU as a work in progress, with some significant areas still devolved.

As part of the transition process the CPU developed Customer Service Statements, outlining roles and responsibilities between the CPU and customer departments and levels of service the CPU would provide. These statements were recognised as a helpful tool in communicating the vision for the new model and a clear mechanism for the CPU to be held to account for its performance. During interviews, departmental managers that are engaged with the CPU commented positively on the impact of centralisation and the level of support maintained by the CPU. Ownership and accountability for the end-to-end procurement process were seen as very clear.

4. Current Position

Organisation and Process

Beyond front-end procurement processes, the Council had chosen to move Accounts Payable (AP) activities into the CPU, under the management of the Head of Procurement. It is rare to see AP managed outside finance, but efficient AP processes are heavily dependant upon the quality and completeness of information from procurement. The decision was taken in 2006 to make procurement fully accountable for the end to end Purchase to Pay cycle.

The procurement team itself is organised along category lines, with category specialists leading engagement with departments and suppliers, with transactional and administrative support. The category management approach enables development of deep specialist knowledge, which is particularly important where the CPU is supporting departments delivering complex and high profile services.

Interviewees from procurement and customer departments felt processes were well defined and generally efficient, with departments noting that the procurement team and CPU management were able to provide guidance and a good level of support for more complex projects. There appears to be a positive approach to engagement between the CPU and departments, which enables the CPU to maintain visibility of on-going projects and new initiatives ensuring compliance with guidance and legislation.

There was a widespread recognition of cost pressures with the Council and all stakeholders identified an increasingly proactive approach to identification of savings initiatives and an open approach to reviewing processes and how services are delivered.

With categories, there is periodic review of spend by product or service and by supplier. This forms part of on-going review and highlights areas of spend not covered by contracts and outside expected patterns.

People and Culture

As noted, the Council has been moving from a highly devolved to a highly centralised procurement model. The transition has seen the CPU mature significantly from a compliance focused department, to the core service provider with procurement and category specialists moving from other departments.

It is evident that through this period of change effective communication of the strategy, and reasons for change, have contributed to a very clear identity for the CPU, among its staff and the wider Council. Visible leadership, from the Head of Procurement, also contributes to strong identification with the CPU's purpose.

Interviews were carried out with a number of staff, performing range of roles, within the CPU. Across the group there was significant experience of procurement, public sector and commercial, and several staff with long service in the Council. This combination of experience and retained knowledge of the organisation ensures a relatively proactive approach from CPU staff and willingness to engage with departments on a formal and informal basis.

4. Current Position

People and Culture

Our interviewees generally found that the level of expertise shown by procurement staff, particularly in relation to specific areas such as construction, is very good and helpful for departments in assisting them with performing their own duties. A number of interviewees have a commissioning role within the Council and they noted that Procurement provide assistance and support wherever needed to help them in this role. There was a need identified for further Council-wide improvements to procurement activity, to realise greater efficiencies but recognising that resourcing may hamper this. There has been significant staff rationalisation, as part of the SFR, and interviewees identified concerns about the ability of the CPU to meet the increasing levels of demand for support from around the Council.

Information Technology

In general, our interviewees indicated that IT systems employed in the procure-to-pay process appear to be fit for purpose. The Council operates SAP with integrated purchase requisition, purchase order placement and accounts payable processes. The use of integrated systems brings significant benefits in the P2P process. Some regular SAP users felt SAP was not particularly user friendly, or was "clunky", and development of user friendly front end input screens is under consideration. The Council has also implemented a number of other tools to support and automate important front-end processes and historic spend analysis.

CompeteFor is a procurement advertising tool, used to manage PQQ and RFQ processes for small tenders. The online tool began as a portal for advertising procurement opportunities related to the 2012 Olympics but has subsequently been used by local authorities.

Delta is a widely used online contract management and eTendering tool. Delta's online solution offers a range eSourcing. The Council are making use of eTendering and eAuction tools.

Procuretrak is a spend analysis tools allowing user definable analysis across large volumes of data, e.g Purchase Order and Invoice transactions.

The Council is currently working on the development of a new SAP implementation, OneSap. The plans for this project are discussed further in Section 5 of our report.

5. Shared Arrangements

Overview

The Council leads in a number of collaborative working programmes including:

- London Energy Project
- London Construction Programme, and
- North London Strategic Alliance

The **London Energy Project** has developed as a centre of expertise for energy procurement and carbon management. The project operates a shared service centre arrangement, resourced by the Council and funded initially through Capital Ambition, but from 2012 the LEP transformed to being wholly funded from generated income.

The aim of the project is to achieve value for money for participating authorities through innovative energy buying and efficient administration. The project's joint procurement energy contracts are used by 32 Local Authorities, all functions of the Greater London Authority and a number of other agencies.

Governance of the project is provided by a project board, drawn from members of the participating bodies. The project board is responsible for:

- endorsing project activities and work streams
- endorsing changes in scope
- agreeing management of risks and issues
- championing issues with stakeholders

As part of the initial funding arrangement, the board provide a monthly update report to Capital Ambition. Project risks were reported to the management board and Capital Ambition, where they are evaluated and assigned to an owner for mitigation, management and monitoring.

To receive funding through Capital Ambition, the project was required to maintain a full risk and issues log, with supporting mitigation actions. Example risks identified in the 2010/11 funding application included:

- Difficulty capturing procurement benefits achieved through implementation of recommended contracts
- Uncertainty about the project's future, influencing participation and retention of key staff and related knowledge and skills.

Benefits reported by the project include:

- **improved energy risk management combined with new energy procurement options**, such as power purchase agreements, **maximises income** from on-site generation to give savings and avoided costs opportunity of up to **5% of your energy bill**.
- **reductions in back-office overheads**, through invoice validation and automated processing, that are likely to realise most authorities benefits of between **1%-2%** of their **annual energy spend**.
- **savings in contract management/energy procurement** and independent supplier performance evaluation, up to **20 days p.a. in staff time** and the **cost of specialist information and/or consultancy**.
- **effective risk management and avoidance of costs/fines** through expert annual reviews intended to identify complex compliance issues that internal reports may not. On-going CRC support and guidance delivered at **60% less than commercial rates**.
- **beneficial changes and managed impact** on behalf of London authorities from policies and regulations where between **£6 and £10 million is at stake** across unmetered supplies, smart meters, back-billing, and changes to CRC and carbon policies.

5. Shared Arrangements

The **London Construction Programme** is being developed in a similar manner to the LEP with the aim to cut the cost and risk of localised procurement and achieve better value for money outcomes from construction projects through collaboration. This is to be achieved by:

- co-ordinating the overall strategy for London's public sector in order to maximise outcomes and benefits and avoid duplication of effort
- leveraging the combined buying power of London's public sector and associated buying organisations
- making available collaboratively procured Framework Agreements and contracts along with shared category management support as a value-adding resource to client organisations and a centralised market to consultancies, contractors and suppliers

The programme is still at a relatively early stage in its development but as part of its strategy has developed the Construction Related Consultancy Services framework (CRCS12) to provide a consistent and efficient model for local procurement. The framework is let, in 12 Lots, by the Council, who together with a number of partners (Enfield and Barnet Councils and Enfield and Barnet Homes) will be responsible for its management.

When contracting through the frameworks developed by the LEP or LCP each Council, or other body, is responsible for its own tender process and application of their own Standing Orders or procurement guidelines. For the purposes of this review we have considered Haringey's arrangements, as any procurement the Councils runs in relation to the LEP or LCP will be run by the CSU and the Council's Standing Orders will apply.

Fraud Identification

The CPU is a participant in the National Fraud Initiative (NFI). This is a bi-annual process whereby the Vendor and Contract Management Officer reviews and cleanses data on Haringey Suppliers, taken from the SAP ERP system. This information is then uploaded to the NFI database, where it can be compared against other public authority datasets. Discrepancies in information, such as bank accounts, can be investigated and remedial actions undertaken.

Where creditor data is not recorded on SAP, for example Purchasing Card transactions, CPU perform a sample audit of 5% of all transactions to ensure compliance with Council policies. This also ensures that fraudulent practices, such as purchasing gift-cards as a cash equivalent for personal use, are monitored and interventions occur as necessary.

There is a two stage validation process, requiring authorisation from the Vendor and Contract Management officer before requests to change of supplier details are actioned.

The Accounts Payable function also uses transaction interrogation software, Fiscal, to identify potential duplicate payments.

5. Shared Arrangements

Contractor Viability

For all tenders, the Council employs a company questionnaire, adapted from the standard developed by the Government Procurement Service. The questionnaire is used either as a pre-qualification mechanism in a closed tender process or as the qualifier criteria for open tenders. The questionnaire covers a broad range of variables affecting contractor viability, including financial health, insurance, health and safety, equalities and environment. Method statement and risk assessments are also required to demonstrate capability.

At the time of our review the Council was also developing Supplier Audit documentation for use with construction contractors, Appx X, which would be shared with the LCP.

Anti-competitive Behaviour

The CPU has responded to recommendations from our Forensic health check and all Procurement Officers, with responsibilities for commercial interaction with suppliers, have now received training in the requirements of The Bribery Act 2010. Officers are also required to sign a declaration of interests confirming their relationship with any supplier to the Council, which could compromise the Council's ability to achieve best value. Officers from the LCP and LEP were also required to sign a declaration.

Tenders for contracts, with a value of £100k or more, require bidders to provide certificates of non-collusion. This is a self-certification process that requires the bidder to declare their intent to provide a bona fide competitive bid. The receipt of this document provides the Council with evidence of intent should a supplier be retrospectively found to have colluded with its competitors.

Under the Council's CSOs, officers must use Competefor – an e-procurement portal – for all contracts with an estimated value of £5k and above. For the value banding of £5k – 100k, the system is used to request quotations from registered suppliers. To limit the opportunity for officers to manipulate the system to manoeuvre a preferred organisation into a winning position (e.g. selecting one appropriate and two inappropriate organisations), the Competefor system automatically invites additional, random organisations, ranging in number from 2 to 15, dependent on the number of other invited organisations.

Regular reviews of current and completed cartel investigations by the Office of Fair Trading are undertaken by the Council's Vendor and Contract Management Officer. Furthermore, the Council receives updates from Beachcroft LLP, which provide summaries of OFT investigation outcomes. This information is sent to the relevant category managers to reassess their contracts for legitimacy of pricing/invoicing etc. The most relevant case for LCP/LEP was bid rigging in the construction industry, which was dealt with appropriately. CPU is about to undertake investigations in regards to a cartel identified by CIPFA and in relation to LCD screens.

5. Shared Arrangements

The **North London Strategic Alliance** (NLSA) was established in 1999 as a sub-regional strategic partnership for North London. The Council contributes to the alliance at various levels and has played a leading role on initiatives to drive savings across corporate, adults and children's services through collaboration and best practice procurement. The North London Collaborative Working and Efficiency Savings Board (chaired by Chief Executive of Haringey and attended by Finance Directors from the NLSA boroughs) provides governance for this initiative.

As part of the project work stream developing cashable savings initiatives, the Alliance has been developing joint procurement opportunities, including:

- car parking
- car clubs
- social care IT

Other initiatives include appointment of a single category manager to work across participating members to develop a common strategy for commissioning of Children's services.

The NLSA acts a project management office, identifying opportunities for collaboration and facilitating discussion among members. It does not carry out any procurement activities, where members wish to work together on an initiative a lead partner is nominated run the tendering process, operating under its own procurement guidelines.

The Cashable Savings workstream is governed by specific Terms of Reference which provide the framework through which collaborative procurement projects are identified. Key criteria outlined within these Terms of Reference include:

- Capability to deliver cashable savings to participants
- Ensuring that the initiative does not duplicate existing work programmes or arrangements
- Ensuring available knowledge and tools are shared across NLSA members
- Projects taken forward are suitable for the NLSA to bid for funding from regional bodies, such as Capital Ambition.

Oversight is provided by a Steering Committee made up of on Chief Officer from each member or participating organisation. The Steering Committee is also accountable to the leaders of the participating bodies for decisions made on projects commission, or not, and on the performance of projects taken forward.

6. IT Procurement

Overview

The objective of the review is to look at recent significant procurement activities for ICT and the current joint project with Waltham Forest for procurement of a One SAP solution and managed SAP service. Based on feedback received, a document review is performed, to look at the effectiveness of the overall process and the value for money achieved, and to make suggestions for improving the process for future procurement activities. Based on a schedule provided, there are at least 8 significant IT and Telecoms procurement activities over the next 3 years which could benefit from any improvement in the process.

Procurement of IT Contract Staff and commodity IT products such as paper, printer cartridges, and consumables is managed by Central Procurement as part of other contracts, and has not been reviewed.

Best practice for general IT Procurement (excluding One SAP procurement)

- Define product and service requirements in line with business needs, knowledge of the market, and functionality versus benefit. Justify each additional function or capability over the minimum cost solution.
- Find a suitable framework to procure the products and services.
- Obtain competitive quotations via the chosen framework.
- Validate suppliers and quotations.
- Finalise exact products and services to be procured with any adjustment in price dependent on final spec and call off schedule.
- Award of contracts.
- Calling off of items from the contract.

Recent significant IT Procurement projects

There are three significant IT Procurement projects which have taken place over the last couple of years or are in progress. Documentation on these was not available outside of council buildings so was read on screen with the support of the IT Procurement Manager.

1. Supply of mid range Storage Area Network (SAN), approximate value £200k
2. Supply and installation of up to 3500 desktop and laptop computers, approximate value £2M
3. One SAP implementation with associated products and services approximate value £18M

The One SAP project has been undertaken under an OJEU tendering process with extensive discussions with the potential suppliers, using a Competitive Dialogue Procedure so lessons from this are less relevant to other IT procurement activities and will be discussed separately.

Subsequently a further document, the SAN options paper, was supplied and additional clarification received on the process undertaken to validate and approve the desktop and laptop computer choice.

6. IT Procurement

Storage Area Network.

The type of equipment chosen was determined by a list of technical requirements, and based on compliance with the IT Strategy. The SAN options paper which justified the supplier decision was produced in accordance with the options paper methodology which is in the Programme additions to IT Project Management Framework

In this sector of the SAN market there are only a small number of product suppliers, and Haringey looked at two, HP and Dell. HP was the incumbent supplier and a good case was given in the project initiation document and the SAN options paper on the advantages of procuring a new system from HP, mostly in terms of the existing technology to manage the SAN and existing HP skills. A technical comparison was made and HP was stated as being better than Dell in all of the important categories. As a result only HP products were considered, and a single supplier framework was used to purchase HP products.

The Council's Technology Evaluation process used to produce the options paper whilst providing detailed technical analysis did not evidence a specific value for money assessment effectively. An overall lifetime cost comparison between Dell solution and HP solution was not included.

Desktop and Laptop Computers

The initial desktop computer requirement was for a small form factor desktop with a Core 2 processor. The initial laptop requirement was for a business range of 14" laptops with medium high performance, which was a similar form factor to that previously purchased. In fact an Intel i5 processor was selected for both products based on a "one size fits all" strategy. At the time i5 was a premium product with i3 and Pentium (rebadged Core2) processors being available at lower cost in lower specification computers running the appropriate Microsoft business operating system. I5 often has higher energy usage.

The Government's IT framework used resulted in two quotations from mainstream resellers, Insight and Misco, both of which are more than able to provide the products and services required. The Insight price based on Dell hardware was lower, and the contract was placed with Insight for the Dell products in the quotation. The price paid appears to be a good price for the actual products supplied.

A cost comparison of the increased IT effort to support two specifications (e.g. Basic and Standard) versus the saving in buying a percentage of Basic computers, does not appear to have been explicitly documented as a value for money decision. However, we recognise that councils and most major organisations ultimately require a specification and capacity above the Basic.

6. IT Procurement

Conclusion on general IT Procurement

Overall appropriate procurement processes were followed, user involvement was sought in the decision making process, and approval was gained from the various management bodies. A good price appears to have been achieved for the actual products chosen.

However, only a limited documented cost and VFM analysis of the market and, in particular, pricing strategies for different levels of product, was undertaken before determining the specification of items to be purchased. This is a consequence of cost and value not being explicitly documented at an early stage of the technical evaluation process. This has resulted in excellent technical solutions being procured, but the Council has not always documented the best compromise in terms of value overall. Trade-offs between cost, functionality and benefit are not formally evidenced in the existing technology evaluation process.

SAP

One SAP is a complete reimplementaion of a local government solution using existing SAP licences for two councils Haringey and Waltham Forest. It includes limited by design customisation of the product, integration with add-on products, migration from existing instances, and provision of a managed service including support, hosting and connectivity.

Based on an initial assessment it was concluded that it would be far too costly to completely change the core ERP system due the significant amount of business change involved, plus the cost of new licences. This assessment is realistic and the decision to continue with SAP is easily justified.

SAP Managed Service contract expiry dates across London span an 8 year period with Haringey and Waltham Forest expiring earliest in 2013. The next authority contract to expire is a further 4 year away. In this context Counsel opinion cautioned against including other Councils in the OJEU notice and thus avoid any potential breach of Regulations. The business justification for either a shared platform or stand-alone is currently work-in-progress and a key risk to the overall cost of the project, potentially leading to two different sets of customisation, and eliminating any joint procurement benefits. This is being actively managed by the Project Board.

6. IT Procurement

The scope of work appears to be in two main parts, re-implementing SAP and associated software and migration, and provision of a managed service including hosting and network connectivity.

As the existing supplier provides an all-in-one solution, the OJEU notice stated a complete solution. Although SAP itself and Local Government solutions built around SAP are specialist products and services, the provision of hosting and network connection is a commodity which is rapidly reducing in price at present. We understand that consideration has been given to establishing separate quotations from each supplier for these parts of the overall contract, 1) SAP solution and 2) hosting and network connection, but have not seen this documentation.

The two councils involved in the OJEU process have given consideration to outline cost comparisons between:

- A) both councils keeping their existing implementations of SAP, and only tendering for managed services, hosting and network connection
 - B) doing a complete reimplementation of SAP, and getting some additional benefits from the proposed “local government solution”, the current project.
- A competitive dialogue multi-phase procurement process has been undertaken under OJEU rules. The range of suppliers is limited to SAP Accredited Partners and those who can afford the costs associated with the tendering process, which is not extensive.

The initial six suppliers who responded to the first requirements document have been reduced to three based on an initial assessment of their capabilities and references given.

Based on dialogue with suppliers, a revised requirements document has been prepared and sent to the three suppliers. Changes between the requirements documents appear from a cursory reading to be fairly limited. A process of competitive dialogue is currently being undertaken under OJEU rules.

Provided that a formal and detailed analysis of the final responses is undertaken, this should result in a clear understanding of each supplier’s offerings and ensure that the final comparison is done in an objective way.

Unusually, it has been stated that the council has contracted the SAP company to provide advice in this area, which is far from an independent view given that SAP may benefit from a contract with one of its Partners.

Further work may be needed at a technical level to ensure that the detailed product and service definition is accurate and complete pre-contract, and that any customisation required is clearly understood and defined and limited to a defined budget.

From what was said there appears to be considerable experience in both Councils of using SAP and specifying minor customisations to meet changing business needs. The senior management in both IT and Procurement have considerable experience of dealing with major contracts in both local government and the commercial marketplace. The Council will need to continue to ensure appropriate technical knowledge and experience to validate the service definitions and the specifications.

6. IT Procurement

The Council follows the existing IT Technical Evaluation Processes, IT Strategy, and Procurement Processes. IT user departments and management are involved in selection and approval of IT procurement.

This current process is effective at procuring technically acceptable IT products and services via frameworks which achieve a good price for those products.

However “value for money” is not explicitly required in the Technical Evaluation process, leading to appropriate product selection but not necessarily best value for money or taking advantage of new technology and a changing market place.

The former Technical Architect has recently left and the role was not replaced. IT management are involved with a number of local authority working groups and joint ventures which provide a source of ICT market information to support product selection. The Council will need to ensure it has specific technical skills and ICT market knowledge to ensure it does not become dependent on suppliers and Gartner for providing up to date information and advice, which risk always lead to “best value for money” outcomes.

Best practice recommends the following steps are taken:

- independent advice on the market and developments in related technology, particularly disruptive innovation and lower cost alternatives
- validating real business needs, ways of working, user benefits and provisional lifetime costs to justify each main technology feature or capability above a minimum Basic spec
- avoiding “Premium” product ranges

We would expect a technical evaluation process to start with a market analysis done jointly with the procurement department, to identify the provisional lifetime cost of all ranges and families of products in each category, and to define the absolute minimum functional requirements, e.g. to provide a working computer with Windows Professional, with acceptable performance for many users, from proven manufacturers, and with an acceptable failure rate over 5 years. Each feature above that minimum requirement, e.g. “one size fits all”, speed, size, weight, space, power consumption, minimising IT effort, high reliability, etc should be considered an option and the cost/benefit considered. Best value for money should be demonstrated for each option and for each group of users.

Wherever possible multiple manufacturers/suppliers should be considered for each procurement activity, irrespective of the incumbent manufacturer or choice of supply route.

Appendices

A. Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

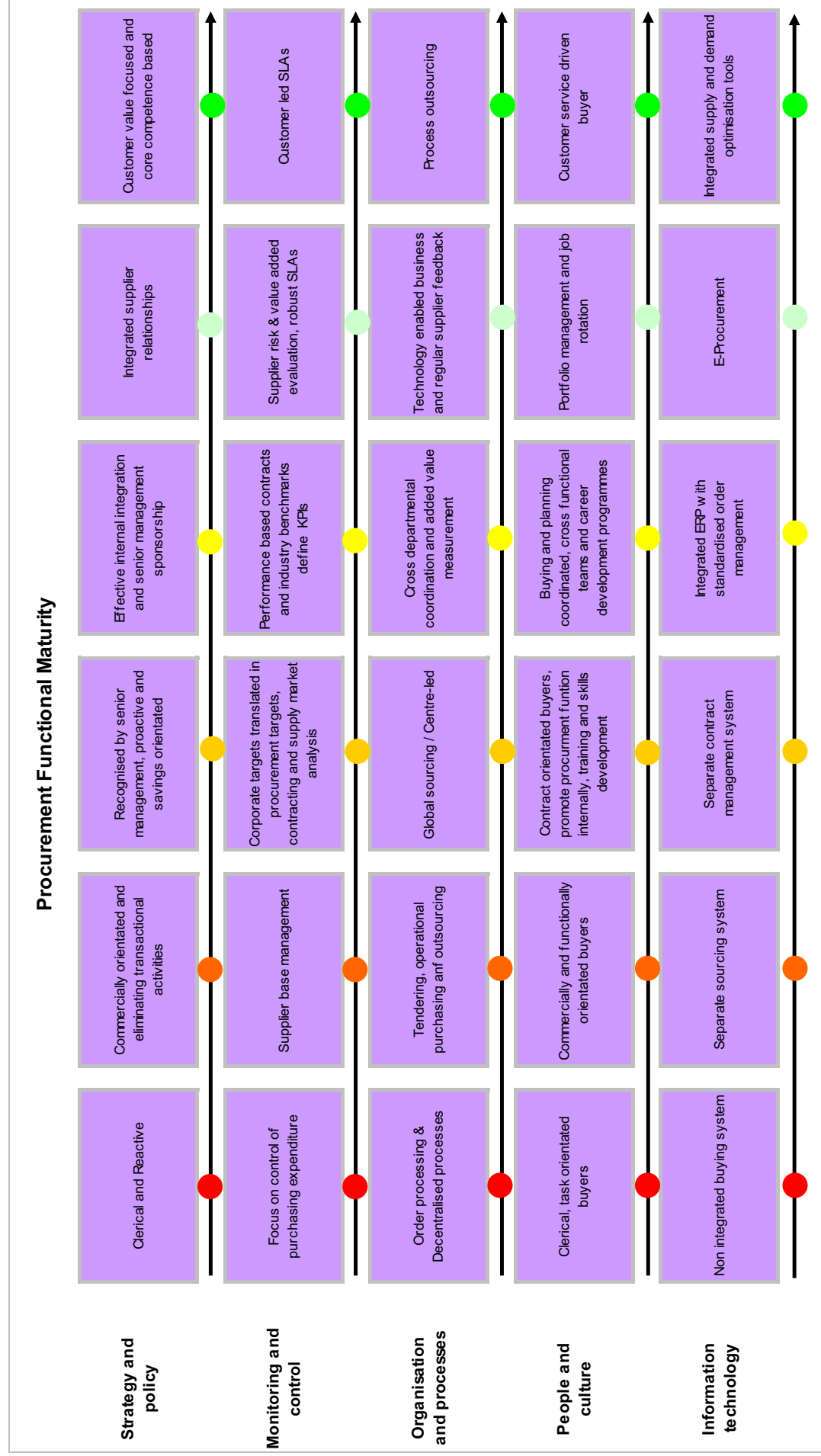
Rec No.	Ref.	Recommendation	Priority	Management Comments	Implementation date and responsibility
1	Strategy & Policy	Ensure that the Procurement Strategy is up to date and has a plan in place for updating it regularly in line with the Council's other plans, in particular the Medium Term Financial Strategy through which savings for the period and process for achieving these are articulated.	M	The Procurement Strategy is a 3 year document, involving consultation with Service Managers, approved by Cabinet and published on the Council's website. Progress is reviewed at mid-term and adjusted as necessary.	Next revision is due 2013
2	Monitoring & Control	Ensure that quantitative targets for savings from procurement, at Departmental level, are clearly articulated and measured against.	M	Savings from procurement outcomes are integral to a departments business plan & savings targets and are not currently highlighted separately. The merits of reporting savings in greater detail will be discussed with the Director of Finance.	31 March 2013
3	Monitoring & Control	Develop engagement strategy to improve visibility of compliance with internal and external procurement guidelines	H	It is accepted that since centralisation, the focus for CPU's attention has been on collating contract information and gaining a better understanding of supply chains previously managed by departments. CPU will develop and implement a greater monitoring and control regime, especially around the use of waivers and off-contract spend.	31 March 2013

A. Action plan

Rec No.	Ref.	Recommendation	Priority	Management Comments	Implementation date and responsibility
4	Monitoring & Control	Implement monitoring tools to provide central visibility of saving programmes and departmental initiatives.	H	These will be discussed and considered at the same time as item 2 above.	31 March 2013
5	Organisation & Process	Regularly explore alternative buying strategies at a corporate level. For example, explore further the usage of e-auctions for certain goods and services.	L	Central Procurement has implemented an e-auction tool and used it to good effect. We shall review all upcoming goods and services projects to Dec 2013 with e-auction in mind.	31 March 2013
6	People & Culture	Ensure that there are sufficient procurement staff capability covering: <ul style="list-style-type: none"> •Market knowledge •Technical knowledge 	M	Current procurement staffing levels are extremely stretched, although manageable. Market knowledge is key to any VFM procurement strategy and accordingly an Information Analyst Officer is currently being trained in this regard and to provide a basic market research function to the procurement teams. With over 1,000 contracts in 16 different markets and delivering over 700 services, it would not be practical for the relatively few CPU staff to gain extensive Technical knowledge in all cases; which is why we have the close working relationship with Business Unit / Service managers. This relationship generally works well, but we also recognise and accept that CPU does need more Technical knowledge in some areas, which we shall address.	31 March 2013.
7	Organisation & Process	The Council needs to ensure that is documents appropriately the value for money judgements made in all ICT procurements.	M	Corporate IT will update it's Project Management Methodology to ensure that value for money considerations are explicitly documented during the market analysis and technical evaluation phases of all future ICT procurements	31 March 2013



C. Procurement Maturity Profile



D. Example Savings Monitor

Departmental Initiatives

Key Performance Indicator	Baseline	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Procurement cash releasing savings	Cash releasing savings for 2008 / 2009 £1,986,367	£2,000,000 <i>Achieved</i>	£1,800,000 <i>Achieved</i>	£1,600,000	£1,800,000	£1,800,000
Utilisation of eSource to Pay Solution	eSource to Pay Solution / ordering / goods receipting and approval, eTenders / Quotations, contract management, stock control, forecasting and trend analysis	Commence June and consolidation through year <i>Achieved</i>	e-invoicing target of 30% <i>Achieved</i>	Review and update technology advances <i>Achieved</i>	Interface with other systems	Complete electronic eBusiness trading
Monthly Performance Outcome Reports	Level 0 for 2008 / 2009	Level 1 <i>Achieved</i>	Level 2 <i>Achieved</i>	Level 3	Level 4	Level 5
Achievement of National Sustainable Flexible Framework		<i>Achieved</i>	<i>Achieved</i>			
Customer Excellence Standard (CSE)	Charter Mark till 2010	CSE / Charter Mark <i>Achieved</i>	CSE / Charter Mark <i>Achieved</i>	CSE accreditation <i>Achieved</i>	CSE accreditation	CSE accreditation
Engagement with Third Sector (see 3.5.1 below)	No model for engagement	Agree and adopt model <i>Achieved</i>	Level 1 <i>Achieved</i>	Level 2	Level 3	Level 4

Savings from mini tender processes

	Apr-11	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-12	Feb	Mar	Total
Ashton													
Claudette	61.79		820.04	62.78			22.95	472.59					1440.15
Clive													
David		460.00	6589.20		40.85								7090.05
Enza		771.69	281.80					112.63					1166.12
Helen													
Isabel	12.04	93.10			2730.00			6355.04					9190.18
Mark					101.30								101.30
Trish			428.58	23.57	198.42		58.59	1034.35					1743.51
Viv	70.00	11.40	200.00	84.71	1882.00		1000.00	3337.00					6585.11
Shama													0.00
Caroline													0.00
Alasdair			840.00	2022.15	400.00			6750.00					10012.15
Total	143.83	1336.19	9159.62	2193.21	5352.57	1081.54	18061.61	0.00	0.00	0.00	0.00	0.00	37328.57

Items for Savings Action Plan

£6,018.00
£2,022.15
£1,223.04

New Procedure Pack for Cardiac Cath Lab BC3132
New Sling replacing PD35 for A&E
Vacsax Liners VAL-203

E. Supplier Audit Documentation

TBC

F. Schedule of Interviews

Name	Role
Michael Wood	Head of Procurement
Kim Sandford	Deputy Head of Procurement
David Mulford	Construction Procurement Manager
Mary Gavriel	Accounts Payable Manager
Richard Le Donne	Procurement Officer
Guy Wren	P2P Performance Manager
John McGrath	Capital Programmes Director
Barbara Nichols	Head of Commissioning & Strategy Planning
David Airey	Head of IT Services
David Haley	Senior Supplier Manager
Malcolm Greaves	Corporate Landlord Manager
Stephen Mc Donnell	Assistant Director for Single Frontline
John Belt	Transport Operations Manager
Mark Hopson	Head of Regeneration & Development (Alexandra Palace)
Debbie Haith	Deputy Director Children and Families
Janet Siman	Senior Procurement Officer

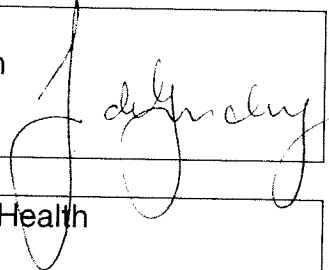
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Report for:	Corporate Committee 22 nd January 2012	Item Number:	
Title:	Public Health Staff Transition		
Report Authorised by:	Jeanelle de Gruchy, Director of Public Health 		
Lead Officer:	Tamara Djuretic, Assistant Director of Public Health tamara.djuretic@haringey.gov.uk Steve Davies, Head of HR, Haringey Council steve.davies@haringey.gov.uk		
Ward(s) affected: All		Report for Non Key decision	

1. Describe the issue under consideration

- 1.1 In accordance with regulations under the Health and Social Care Act 2012, public health responsibilities (detailed in Appendix 1), together with a ring fenced grant, will transfer from the Department of Health to local government on 1st April 2013. Local authorities will have a duty to promote the health of their population and will also take on key functions requiring that robust plans are in place to protect the local population and to provide public health advice to NHS commissioners.
- 1.2 In order to ensure an appropriately skilled workforce is available within the local government to fulfil new statutory duties, public health teams across the country will be transferring to local authorities. The Health and Social Care Act 2012 makes provision for staff transfers between statutory bodies (including the council and the NHS). The Act provides the power to the Secretary of State for Health to effect transfers by way of a Transfer Scheme (a TUPE like process).
- 1.3 This report details, for information, the arrangements for the local staff transfer. The full report on the overall Public Health Transition was approved by Cabinet on 18th December 2012.

2. Cabinet Member introduction

- 2.1 Report to Cabinet on transfer of function and the overall public health transition was approved on 18th December. This report gives the background and information concerning the transfer of the staff to the council from the NHS North Central London in April 2013. Work has been ongoing locally since April 2012 to facilitate the transfer of staff, budget and functions.

3. Recommendations

- 3.1 To note that the legal framework for public health staff transfer is drafted by the Department of Health.
- 3.2 To note that local agreement between the receiver and sender organisation is a 'lift and shift' of all the functions and staff from the NHS North Central London to the council.

4. Other options considered

- 4.1 The transfer of the public health function to the council will be required by the regulations made under the Health and Social Care Act 2012 - as a legal requirement; there are no other options for consideration.

5. Background information

- 5.1 The Health and Social Care Act 2012 creates the legislative framework for the council's new duty to promote the health of their population, ensure that robust plans are in place to protect the local population and provide public health advice to NHS commissioners.
- 5.2 In accordance with regulations under the Health and Social Care Act 2012, public health responsibilities (detailed in Appendix 1), together with a ring fenced grant and staff, will transfer from the NHS North Central London to the council on 1st April 2013.
- 5.2 Haringey's Public Health Directorate was subject to re-organisation and management cost saving during 2010/11 as part of the overall NHS North Central London restructure that resulted in 30% reduction in the management cost.
- 5.3 In January 2011, the Rethinking Haringey report set out the arrangements for setting up the public health function within the council from April 2011 (agreed by Cabinet on 25 January 2011). As a result public health staff have been located in the council since March 2011 and the Director is part of the council's Corporate Board. The service has taken on additional management and strategic responsibilities on behalf of the council such as emergency planning and business continuity.

- 5.4 The Directorate is structured as a borough level public health operating model that supports the full range of current and additional public health functions.
- 5.5 Currently, the Haringey Public Health Directorate establishment consists of 28 staff (22.6 FTE) with a good skill-mix to deliver the public health function. The team includes the Drugs and Alcohol Team (DAAT) and the council's Emergency Planning and Business Continuity Team.
- 5.6 The 19 staff (12 FTE) in the public health team will transfer from the NHS to the council on 1st April. The team has a strategic role in shaping the effective delivery of health and wellbeing improvement by the council, NHS and other partners. For example, the team leads on the Health and Wellbeing Strategy and the Drugs and Alcohol Harm Reduction Strategy, production of the Joint Strategic Needs Assessment (JSNA), support the NHS in evidence-base commissioning and leading on commissioning of specific programmes such as Health Checks and sexual health.
- 5.7 The remaining members of the team are either already employed by the council, or facing transfer to different organisations.
- 5.8 Two members of staff who run Active for Life, the exercise referral and healthy walks programme, are proposed to transfer to Fusion, the new provider of leisure services in Haringey. This change to the Leisure Services contract is currently being negotiated. If this does not take place before the end of March 2013 then these staff will be part of the Public Health transfer to the council.
- 5.9 NHS North Central London has agreed with the council that the transfer of public health functions will be on the basis of the transfer of existing functions.
- 5.10 In accordance with the national policy governing this transition, the nature of the transfer is therefore a "lift and shift". No job matching or pre-transfer selection process will be required. The council has agreed these arrangements in December 2012.
- 5.11 The legal mechanisms for this staff transfer are being developed and agreed at the national level between the Department of Health, Public Health England and the Local Government Association.
- 5.12 A Transfer Scheme will be used where there is a power to do so to effect the transfer of staff – including where there is a TUPE transfer. The Transfer Scheme will set out the terms of transfer including that the current pay and conditions of employment of the transferring staff will remain the same. The transferring group will need to understand what impact (if any), the transfer will have on their employment. At the moment the key change will be to the pay date. Other changes that could be considered in the future will be set out in writing to the current employers in line with transfer requirements. The council will start working with NHS North Central London and its recognised trade unions in order to agree the process and exchange of relevant information.

- 5.13 Whilst the detail of the transfer is still to be worked through, Haringey Local Authority has confirmed its intention that the transfer be conducted in accordance the Cabinet Office 'Staff Transfers in the Public Sector Statement of Practice' (COSOP) which means that employees identified as transferring will do so in accordance with TUPE principles.

6. Comments of the Chief Finance Officer and financial implications

- 6.1 Members will note from paragraph 5.10 that the transferring staff will remain on their current pay and conditions of employment when they join the Council in April 2013. The key financial implications of this are around the pension and redundancy.
- 6.2 Transferred employees can remain within the existing NHS pension scheme and from April, Haringey will be responsible for the employer contribution. The council is currently waiting for confirmation of the rates. This will be an on-going cost.
- 6.3 The redundancy package for NHS staff is more generous than the current Haringey offer however it is unlikely that in the short to medium term redundancies will take place so the risk to the council is low.
- 6.4 The Council has received one-off transition funding from the Department of Health in 2012/13 which should be sufficient to cover any one-off costs such as updating payroll systems and contracts.

7. Head of Legal Services and legal implications

- 7.1 It is likely that transfer of public health functions from the NHS to the Council will be a transfer for the purposes of the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). Although TUPE does not apply to "An administrative reorganisation of public administrative authorities or the transfer of administrative functions between public administrative authorities" this exception has been interpreted narrowly by the courts and is unlikely to be found to apply in this case. In any event through a Transfer Scheme the Government is likely to require the transfer of NHS staff assigned to the transferring public health functions to the Council.
- 7.2 Whether as a result of TUPE or as a result of a Transfer Scheme the relevant NHS staff would transfer to the Council's employment on their existing terms and conditions,. The Government have confirmed that these staff will retain access to the NHS Pension Scheme post- transfer, although the precise mechanism by which this will be achieved is currently unclear. Certain statutory rights which they have as a result of being NHS employees would also transfer e.g. entitlements to injury benefits where the injury was sustained in the course of employment.
- 7.3 Any liabilities incurred by the NHS to the transferring employees pre-transfer in connection with their employment (such as personal injury or discrimination

claims) would transfer to the Council. It is not clear whether the NHS will give local authorities indemnities against such claims.

- 7.4 Under TUPE the NHS will have to give certain information about the transfer to the trade unions it recognises for the transferring staff. If it failed to do so then the Council would be jointly and severally liable with the former NHS employer if the trade unions brought claims for breach of this information obligation.

8. Equalities and Community Cohesion Comments

- 8.1 This is an information report, and as such has no specific equality implications in itself. However, Members should be aware that in exercising its new responsibilities for public health in Haringey from April 2013, the Council will have a public sector equality duty to so with due regard to Section 149 of the Equality Act 2010 (duty of due regard to the need to eliminate discrimination, harassment and victimisation based on any of the 'protected characteristics' specified under Section 4 of that Act; advance equality of opportunity between people who share a protected characteristic and those that do not and; foster good relations between groups in society).
- 8.2.1 In addition, the specific duty to develop equality objectives every four years and to report on performance on these will be extended to include the Council's new public health functions. The planning and design of the local public health function in the transition phase and beyond, aims to establish effective public health services, based on an understanding of the needs of the different sections of the population through the Joint Strategic Needs Assessment (JSNA), with the aim of improving and protecting the health of people in Haringey and reducing the health inequalities between communities and the more and less deprived areas of the borough.

9. Head of Procurement Comments

- 9.1 Not applicable.

10. Policy Implication

- 10.1 Haringey Council wants its residents to live healthier lives and the council is committed to tackling health inequalities, childhood obesity and teenage pregnancy. (The Council Plan 2012-15). The new public health arrangements will play a key part in delivering the council priorities to drive local health improvements in Haringey.

11. Use of Appendices

Appendix 1: Overview of the public health function

12. Local Government (Access to Information) Act 1985

Appendix 1: Overview of the public health function and new responsibilities

1. What are the main public health priorities for Haringey?

Haringey is the 4th most deprived borough in London and the 13th most deprived in the country. An estimated 21,595 (36.4%) children live in poverty, largely in the east of the borough. High levels of deprivation, low educational attainment and unhealthy lifestyles (high smoking, low physical activity, high alcohol misuse), primarily in the east of the borough, are all interrelated determinants of poor health outcomes and the considerable health inequalities in the borough. Key priorities are:

- Only 53% of children show satisfactory development at age 5
- Highest teenage pregnancy rate in England
- High child obesity (1 in 3 children aged 10-11 are overweight or obese)
- Inequality in male life expectancy (men in the east die up to 9 years younger than men in the west)
- High smoking (contributes to 50% of the male life expectancy gap) and physical inactivity
- High levels of alcohol and drug misuse
- High levels of common and severe (3rd highest in London) mental health problems

These public health priorities are reflected in the key outcomes of the shadow Health and Well Being Strategy: 1) Giving every child the best start in life; 2) Reducing the life expectancy gap; 3) Improving mental health and well being

2. What are the new responsibilities for public health?

The Health and Social Care Act 2012 is a key step towards the establishment of a new public health system. Local authorities already have important and wide ranging public health functions that will continue. Local authorities will be taking on significant new public health functions. The Director of Public Health (DPH) is the lead officer for delivering the new functions and a statutory member of the Health and wellbeing board. Public Health in Local Government (Department of Health, 2012) sets out the functions:

2.1 Health improvement

A new duty to take appropriate steps to improve the health of the people in its area. Examples include giving information, providing services to promote healthy living or incentives to live more healthily.

2.2 Health protection

The Secretary of State will have a core duty to protect the health of the population in the new system. However local authorities are seen as having a critical role at the local level in ensuring that all the relevant organizations locally are putting plans in place to protect the population against a range of threats and hazards. This is linked to but different from the local authorities' statutory responsibilities for public health

aspects of planning. The DPH should lead initial response with Public Health England to local public health incidents and outbreaks. They would also provide strategic challenge, escalate concerns and receive local information on incidents and outbreaks (surveillance).

2.3 Healthcare public health

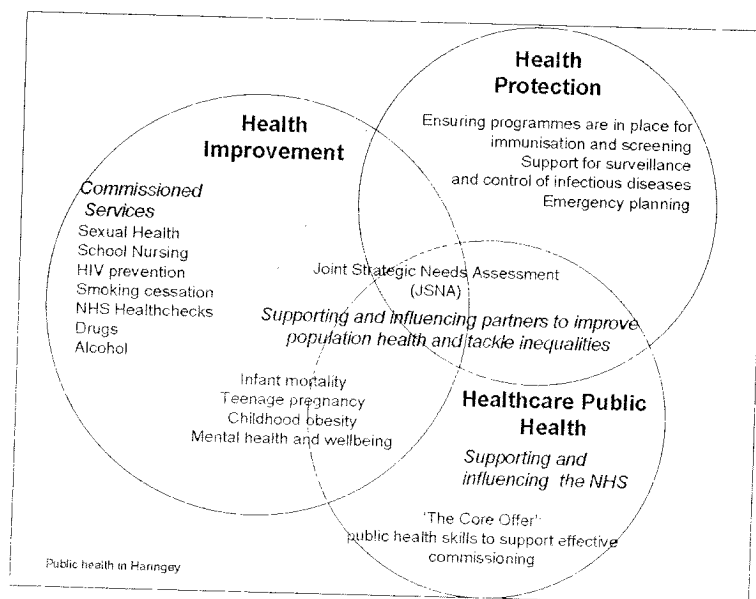
The government intends to make a regulation to require local authorities to provide public health advice to commissioners. There is an opportunity to build and maintain close links with clinical commissioners, complementing health and wellbeing boards. The DPH would have responsibility and funding for a “core offer” of public health advice to the NHS locally. Examples are the Joint Strategic Needs Assessment, evidence based strategies, pathways and service specifications.

Central to these three core areas are new local authority duties to take steps to ensure that it is aware of and has considered what the health needs of its local population are and what evidence suggests the appropriate steps would be to take to address those needs. The DPH and their specialist teams would need access to appropriate information and evidence functions. The DPH would be required to produce an annual report.

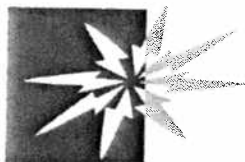
Local authorities will have considerable freedom in terms of how they chose to invest their grant to improve their health although they will have to have regard to the Public Health Outcomes Framework and should consider evidence regarding public health measures. It is intended that there will be four mandatory areas: protect the health of the local population, ensure NHS commissioners receive the public health advice they need, appropriate access to sexual health, National Child Measurement Programme and NHS Health Check Assessment.

Figure 1 represents the three public health functions as they apply in Haringey.

Figure 1: Public health in Haringey



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Haringey Council

Report for:	Corporate Committee 22 January 2013	Item number	
Title:	Internal Audit Progress Report – 2012/13 Quarter 3		
Report authorised by :	Director of Corporate Resources <i>J Power 14/1/13</i>		
Lead Officer:	Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: anne.woods@haringey.gov.uk		
Ward(s) affected: ALL	Report for: Non-Key Decision		

1. Describe the issue under consideration

1.1 The Corporate 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. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee on the work undertaken by the Internal Audit Service in completing the 2012/13 annual audit plan, together with the responsive pro-active fraud investigation work, and housing benefit fraud investigation work. Where further action is required or recommended, this is highlighted in the report and appendices and included in the recommendations for the Corporate Committee.

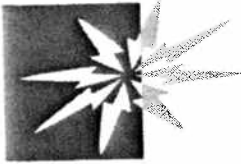
1.2 In addition, the report provides details of the work the Council's Human Resources business unit has undertaken in supporting disciplinary action taken across all departments by respective Council managers.

2. Cabinet Member Introduction

2.1 Not applicable

3. Recommendations

3.1 The Corporate Committee is recommended to note the audit coverage and counter-fraud work completed during the third quarter, 2012/13.



Haringey Council

- 3.2 That the Corporate Committee reviews the management responses received for those audit recommendations not fully implemented; and confirms that the managers' actions taken during the quarter to address the outstanding recommendations are appropriate.

4. Other options considered

- 4.1 Not applicable.

5. Background information

- 5.1 The internal audit service and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council. This report looks at the work undertaken in the quarter ending 31 December 2012 and focuses on:

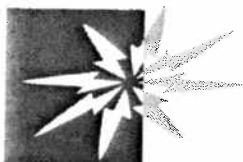
- Progress by Deloitte and Touche on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised;
- Progress in implementing outstanding internal audit recommendations with particular attention given to priority 1 recommendations;
- Details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities, including those within the remit of the Corporate Anti-Fraud and Housing Benefit Fraud Investigation Teams; and
- Information in respect of disciplinary action taken by managers across all departments of the Council during the quarter.

- 5.2 The information in this report has been compiled from information held within the Audit & Risk Management business unit and from records held by Deloitte and Touche and the Council's corporate Human Resources business unit.

6. Comments of the Chief Financial Officer and Financial Implications

- 6.1 There are no direct financial implications arising from this report. The work completed by Deloitte and Touche is part of the framework contract which was awarded to the London Borough of Croydon from 1 April 2012, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

- 6.2 The financial benefits to the Council of the work completed during 2012/13 as part of the ongoing tenancy fraud project will be realised as properties are recovered and returned to the Council's portfolio. The Audit Commission estimate that the costs of fraudulent tenancies and unauthorised sub-letting equate to £18k per annum per property. During the third quarter, a further three Council properties were recovered.



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7. Legal Implications

- 7.1 The Head of Legal Services has been consulted in the preparation of this report, and save to confirm that the Committee does have the Constitutional power to take the action detailed in the recommendation paragraph, advises that there are no specific legal implications arising from the report.

8. Equalities and Community Cohesion Comments

- 8.1 This report deals with how risks to service delivery are managed across all areas of the Council, which have an impact on various parts of the community. The report also contains details of how fraud investigation work is undertaken and pro-active fraud projects are managed. Improvements in managing risks and controls will therefore improve services the Council provides to all sections of the community.

9. Head of Procurement Comments

- 9.1 Not applicable.

10. Policy Implications

- 10.1 There are no direct implications for the Council's existing policies, priorities and strategies. However, improving controls and reducing the opportunity for fraud to take place in the first place, and taking appropriate pro-active action to detect and investigate identified fraud will assist the Council to use its available resources more effectively.

11. Use of Appendices

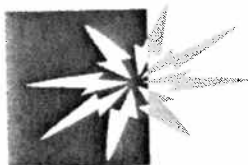
- 11.1 Appendix A – Deloitte and Touche Progress report
 Appendix B – In-house Team – investigations into financial irregularities
 Appendix C – Council-wide disciplinary information

12. Performance Management Information

- 12.1 Although there are no national or Best Value Performance Indicators, key local performance targets have been agreed for Audit and Risk Management. These form part of Corporate Resources' reporting processes, but are detailed below for information. Table 1 below shows the targets for each key area monitored in 2012/13 and gives a breakdown between the quarterly and cumulative performance.

Table 1

PI Ref.	Performance Indicator	3 rd Quarter	Year to date	Target
1	Audit work – Days Completed vs. Planned programme	100%	71%	95%
2	Priority 1 recommendations implemented at follow up	80%	80%	95%
3	Benefit fraud cases completed	8	26	30



Haringey Council

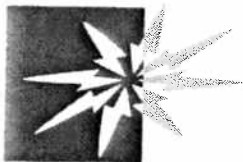
	and accepted for prosecution			
4	Benefit overpayments recovered (including POCA and confiscation awards)	£25.4k	£34.0k	£150k

13. Internal Audit work – Deloitte and Touche contract

- 13.1 The activity of Deloitte and Touche for the third quarter of 2012/13 to date is detailed at Appendix A. Deloitte and Touche planned to deliver 235 days of the 2012/13 annual audit plan (940 days) during the third quarter. Deloitte and Touche actually delivered 242.5 days audit work during the quarter, which is above the level of the planned work and overall the level of completed work is on target to achieve the required output. Ongoing monthly contract monitoring reviews ensure that performance levels are kept under review.
- 13.2 Members of the Corporate Committee receive detailed summaries of all projects for which a final report has been issued on a monthly basis to allow for any issues to be considered in a timely manner. Appendix A provides a list of all final reports which have been issued during the quarter, together with detailed summaries of the findings and recommendations of those reports which received a 'limited' assurance rating.
- 13.3 Appendix A also provides detailed summaries of all recommendations which were previously recorded as outstanding at the time of the follow up audit work. Members have been monitoring the progress and implementation of these at the previous Audit Committee meetings to ensure that managers were taking appropriate action to address outstanding recommendations. Four recommendations from prior years remain outstanding, with only one high priority recommendation remaining as 'partly implemented'. Work is ongoing to address the Priority 1 recommendation and Internal Audit are satisfied that the interim controls in place manage the risks adequately; and that managers' actions are appropriate to manage these lower priority risks facing the Council. Internal Audit will continue to monitor implementation of recommendations to ensure appropriate actions are taken to mitigate identified risks.
- 13.4 A summary of all follow up audit projects for 2011/12 work which have been undertaken is also included in Appendix A. We have followed up on 88 recommendations to date and found that 65 have been implemented, 12 are no longer applicable including 10 relating to establishments that are now closed, nine are in progress, and two have not been implemented. Overall, a compliance rate of 87.5% has been achieved for the second quarter. Three Priority 1 recommendations remain outstanding (1), or in progress (2).

14. In-house Team: Fraud investigation/Pro-active work

- 14.1 In accordance with the Council's Constitution, Internal Audit investigates all cases that fall outside the remit of the Housing Benefit Fraud Investigation Team and the Council's Information Security Policy. Appendix B details the



Haringey Council

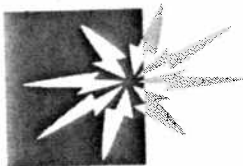
individual cases that were completed by the In-house Team in the third quarter of 2012/13 and any which were brought forward from 2011/12, relating to Council employees. The listing at Appendix B also includes any referrals made using the Council's whistle blowing policy which were investigated by Internal Audit. During the third quarter, one anonymous staff-related whistle blowing referral was made; the investigation is ongoing in this case.

- 14.2 Within the third quarter, five new cases were referred to Internal Audit for investigation relating to permanent and temporary employees. Four cases were completed during the quarter involving Council employees. Internal Audit work closely with officers from personnel and the service involved to ensure that the investigation is completed as quickly as possible.
- 14.3 The section has been continuing to work with Homes for Haringey and the Strategic and Community Housing Service to target and investigate housing and tenancy fraud during 2012/13. The Audit Commission estimate that each fraudulent tenancy costs councils an estimated £18k in temporary accommodation and other associated costs.
- 14.4 As at 31 December 2012, 101 referrals of suspected tenancy fraud have been received by the team during 2012/13 (108 received in total during 2011/12) and Table 2 below summarises the source of these referrals:

Table 2

Referrals Received From:	Number
Tenancy Management Officer	58
Fraudcall (email and freephone telephone)	2
Registered Providers	33
Members of the Public	1
Joint investigation with Housing Benefit Fraud	4
Education Welfare Officers	0
National Fraud Initiative	0
Police	0
Other Local Authority	1
Member	0
Legal Services	0
Haringey Staff	2
Customer Services	0
Total	101

- 14.5 During 2012/13 to date, 29 Haringey properties have been recovered in total, including cessation of four fraudulent succession applications, so the tenancies can be allocated to tenants in accordance with the Council's lettings policy. In addition, three Registered Providers' properties have also been recovered. Advice and recommendations for further action have been made by the



Haringey Council

Corporate Anti-Fraud Team to the Tenancy Management Teams in one further case.

14.6 Investigations are ongoing in 63 cases; and 52 cases which were referred to the team as a potential fraudulent tenancy case resulted in no further action being taken. Feedback on the outcomes of cases is provided to housing and Homes for Haringey staff during regular case conferences and team meetings to show the positive outcomes resulting from their referrals. The total of 29 properties recovered to date includes action taken in 6 cases by housing officers.

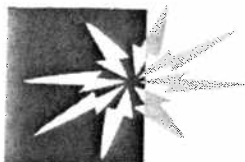
14.7 In addition to the above details relating to tenancy fraud, the Corporate Anti-Fraud Team has also abated two fraudulent 'Right to Buy' applications from proceeding where the maximum discount of £75k was being claimed by the applicants. The Corporate Anti-Fraud Team is also currently taking forward prosecution cases using relevant Housing and Fraud Act legislation against four former tenants that were found to have been sub-letting and one case of a fraudulent Right to Buy application.

15. Housing Benefit Fraud Investigation

15.1 During the third quarter, the HB Fraud team completed investigations on four benefit fraud cases and submitted these for prosecution at crown court via Legal Services. Four cases submitted by the team to the DWP for joint prosecutions in 2011/12 are still to be heard. There are also three cases with outstanding Bench Warrants which the team chase up on a regular basis. The team has an annual target of 30 prosecution cases for 2012/13, and it is expected that this target will be achieved.

15.2 In the third quarter, eight cases were heard at crown court and all eight prosecution cases found in favour of the Council. All cases identified that an overpayment had been fraudulently obtained by the claimants and two custodial sentences were handed down by the courts. The total overpayment identified for the eight cases was £450k, although only £25.4k has been recovered to date. Overpayment plans are in place to recover the remaining amounts and the team will be working with the HB recovery team and Legal Services going forward to ensure that all options for recovery are considered when fraud has been proven.

15.3 The Housing Benefit team has established an information sharing protocol and risk based process with the Housing Benefit processing and housing teams to review cases where Right to Buy applications have been submitted and the applicants have housing and council tax benefit claims in payment. As a result of the review processes, fifteen applicants have withdrawn from the process, nineteen benefit claims have been suspended, and a notice to quit has been issued in one case. The teams will continue to work together to ensure benefit and right to buy processes are applied correctly.



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16. Council-wide disciplinary statistics

- 16.1 Appendix C details the number of disciplinary suspensions and/or action taken in the third quarter of 2012/13. The data is taken from SAP and the information has been provided by the Council's Human Resources business unit in line with Council statistics reported elsewhere.
- 16.2 During the quarter, the number of disciplinary cases investigated was 39, with 22 remaining 'open' at the end of the quarter. The average length of time taken to resolve disciplinary cases in quarter four was 54 days, which remains at the same level as the previous quarter.

**Internal Audit
Quarter 3 Internal Audit Report
2012/2013
London Borough of Haringey**

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Executive Summary

Introduction

This is our third quarter report to the Corporate Committee for the 2012/13 financial year including details of all reports which are now at final stage. The report provides information on those areas which have achieved full or substantial assurance and gives an indication of the direction of travel for key systems work which will provide Members with information on how risks are being managed over time. The format of this report is also designed to highlight the key risks facing individual departments and the Council which have been identified during the course of our internal audits. A more detailed summary of the limited assurance audit findings is included for information. The report draws together the summary information which is provided on a monthly basis to Members of the Corporate Committee. Members of the Committee will also be provided with full copies of our audit reports upon request.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports.

The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

As a reminder, our recommendations are prioritised according to the following categories:

- | | | |
|-------------------|---|---|
| <i>Priority 1</i> | - | major issues for the attention of senior management |
| <i>Priority 2</i> | - | other recommendations for local management action |
| <i>Priority 3</i> | - | minor matters and/or best practice recommendations |

Key Highlights/Summary of Quarter 2 2012/13 – Final Reports issued:

2012/13 Internal Audits finalised in the quarter:

- Data Quality;
- Leaving Care Arrangements;
- Smoking Cessation Programme;
- Health Checks Programme;
- Revenues, Benefits and Customer Services Integration;
- The Triangle Children's Centre;
- Traded Services;
- The Ladder Children's Centre;

- Court of Protection and Deputyship;
- Tottenham regeneration programme; and
- Parking Services – Car Pound.

Delivery of 2012/13 Internal Audit Plan

As part of the 2012/13 Internal Audit Plan, we have continued our planning work with regards to agreeing the scope and start date for individual audits. Draft reports have been issued for the following audits:

- Commissioning of Services;
- Parking – CE Application Audit;
- Fostering Service;
- Adoption Service; and
- Homelessness Assessment Processes.

Follow Up of Prior Years' Recommendations

The results of our follow-up work are as follows:

2009/10

Two Priority 2 recommendations remain outstanding; work is ongoing to address these.

2010/11

Two recommendations remain outstanding. The Priority 2 recommendation relating to Accounts Receivable (Debtors) was followed up as part of the 2012/13 Accounts Receivable (Debtors) audit and was found to be partly implemented. The Debt Recovery & Write Off procedure was in draft form at the time of the audit and we were informed that it would be reviewed before being circulated to all relevant officers by the end of December 2012. However, due to the absence of the Head of Income & Debt Management we have been unable to confirm that the remaining actions have been completed. The Priority 1 recommendation relating to Health & Safety is in progress and has a revised deadline of end of March 2013.

2011/12

To date we have followed up 88 recommendations raised in 2011/12 and the results of our work are as follows:

- Implemented – 68 (77.3%);
- Partly implemented – 6 (6.8%);
- Not implemented – 2 (2.3%); and
- No longer applicable – 12 (13.6%).

Audit Progress and Detailed Summaries

The following table sets out the audits finalised in Quarter One of 2012/13 financial year, and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

Detailed summaries of all audits which do not receive 'Full' or 'Substantial' assurance ratings are also provided for Members' information.

Audit Title	Date of audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
2012/13							
Data Quality	June 2012	09/10/12	Substantial	↔	0	1	0
Leaving Care Arrangements	June 2012	09/10/12	Substantial	↔	0	1	3
Smoking Cessation Programme	July 2012	15/10/12	Substantial	N/A	0	0	0
Health Checks Programme	June 2012	15/10/12	Substantial	N/A	0	2	0
Revenues, Benefits and Customer Services Integration	May 2012	16/10/12	Substantial	N/A	0	1	0
The Triangle Children's Centre	July 2012	16/10/12	Substantial	N/A	0	4	1
Traded Services	August 2012	08/11/12	Substantial	N/A	0	3	2
The Ladder Children's Centre	September 2012	20/11/12	Substantial	N/A	0	6	1
Court of Protection and Deputyship	September 2012	13/12/12	Substantial	N/A	0	2	1
Tottenham Regeneration Programme	October 2012	17/12/12	Substantial	N/A	0	2	0
Parking Services – Car Pound	October 2012	20/12/12	Substantial	↔	0	1	0

As part of the 2012/13 Internal Audit Plan we have visited the following schools, completed a probity audit and during Quarter 3 issued a final report.

School	Date of Audit	Report Date	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
2012/13						
St. John Vianney Primary School	July 2012	05/10/12	Substantial	1	4	1
St.Aidan's VC Primary School	September 2012	24/10/12	Limited	2	10	1
Seven Sisters Primary School	August 2012	09/11/12	Nil	24	8	0
Riverside Special School	September 2012	21/11/12	Limited	3	7	0
Belmont Junior School	October 2012	30/11/12	Substantial	1	8	2
Weston Park Primary School	October 2012	04/12/12	Limited	3	6	2
Our Lady of Muswell Hill Primary School	October 2012	12/12/12	Limited	4	8	0

As part of the 2012/13 Internal Audit plan we have visited the following schools during Quarter 3 and completed a probity audit, for which a draft report has been issued.

- St. Michael's CE Primary School; and
- The Brook on Broadwaters Special School.

Detailed Progress Report – Outstanding Recommendations 2009/10

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
CORPORATE RESOURCES				
IT AUDIT - PLANNING & CONTROL APPLICATION				
1	A procedure should be established to reconcile payments received from the Planning Portal and iPlan as well as e-Forms on the Haringey website and iBuild application via the Haringey e-Payments system. This should ensure that all payments received via the Cash Receipting interface are reconciled to the Planning Portal application and e-Forms.	2	31 August 2010	<p>Partly Implemented:</p> <p>Implementation date is unclear at present due to costs involved; however, in the interim a workaround has been developed whereby before applications are formally completed, SAP is checked for payments received.</p> <p>The issue has been reported to the supplier but progress is dependent on the prioritisation by the supplier and this would depend on demand from all their customers, unless the Council was to commission the work specifically.</p> <p>The Applications Solutions Manager confirmed that this has not been treated as high priority by the supplier and it would not be cost effective for the Council to commission the work independently.</p> <p><i>Management Update 19 April 2012</i></p> <p>The status is as above. Progress is still dependant on prioritisation and cost effectiveness. Deadline date for review 18 July 2012.</p> <p><i>Management Update 21 August 2012</i></p> <p>The status has not changed since the last update. The next review date is expected to be 30 November 2012.</p> <p><i>Management Update 11 January 2013</i></p> <p>The status has not changed since the last update. Implementation is dependent on the development of the new Council wide payment process.</p>

DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2012/13

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Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
2	<p>The current audit trail in place on the iPlan and iBuild application should be reviewed to ensure audit trail functionality specifies the tables required for auditing. This should be completed with management to help ensure that all system activity is recorded for the following areas:</p> <ul style="list-style-type: none"> • Changes to system files or fields; • User access to the system; and • Unauthorised access attempts and user lockouts. 	2	31 August 2010	<p>Internal Audit Comment:</p> <p><i>An update will be obtained from the relevant officers in early April 2013.</i></p> <p>Partly Implemented:</p> <p>It has been agreed that this recommendation is not going to be implemented at this time due to the way that the i-LAP is configured. However, as with the input controls above, an enhancement request based upon the recommendation will be submitted.</p> <p>The issue has been reported to the supplier but progress is dependent on the prioritisation by the supplier and this would depend on demand from all their customers, unless the Council was to commission the work specifically.</p> <p>The Applications Solutions Manager confirmed that this has not been treated as high priority by the supplier and it would not be cost effective for the Council to commission the work independently.</p> <p>Management Update 19 April 2012</p> <p>The status is as reported above. Progress is still dependant on prioritisation and cost effectiveness. Review date 18 July 2012.</p> <p>Management Update 21 August 2012</p> <p>The status has not changed since the last update. The next review date is expected to be 30 November 2012.</p> <p>Management Update 11 January 2013</p> <p>The status has not changed since the last update. Implementation is dependent on the prioritisation of work by the software supplier Northgate.</p>

DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2012/13

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Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
				Internal Audit Comment: An update will be obtained from the relevant officers in early April 2013.

Detailed Progress Report - Outstanding Recommendations 2010/11

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
CORPORATE RESOURCES				
ACCOUNTS RECEIVABLE (DEBTORS)				
1	The formalised debt recovery and write off procedure documents should be reviewed and updated to reflect any changes in processes and practices, and communicated to staff across directorates. The procedure documents should define the responsibility and accountability across the Council within the debt recovery and write off processes. This should be made available on Harinet and updated on a regular basis.	2	Sept. 2011	<p>Partly Implemented</p> <p>Management Response:</p> <p>As stated in the key Statistics & Benchmarking "The Council's Finance Service carried out a restructure, part of which was the centralisation of the debt management process within Corporate Finance." As a result of this restructure all debt collection processes including debt write off have fundamentally changed and will require updating. The procedures relating to the raising of invoices were reviewed when the debt management webpages were reviewed and these are current and do not require amendment.</p> <p>Revised deadline: 31 December 2012</p> <p>Internal Audit Update at 11 January 2013:</p> <p>We have followed up on the implementation as part of the 2012/13 Accounts Receivable (Debtors) audit. The procedure was in draft form at the time of the audit and we are advised that the procedures have been finalised and will be available on the Haringey Intranet by Friday 18th January 2013</p>
CHIEF EXECUTIVE				
HEALTH & SAFETY				

DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2012/13

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Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
2	A formal process should be put in place for each Directorate to submit, within a specified deadline, their Quarterly Health & Safety Directorate Service Reports. The process should include following up on Directorates that have not submitted their reports, and taking appropriate action to address any issues.	1	31.12.10	<p>Partly Implemented</p> <p><i>Management Update as at June 2011:</i></p> <p>It has been difficult to implement this recommendation for all Directorates due to current resource constraints across the Council. However, this issue has been cascaded to the Health & Safety officers within each Directorate and progress will be monitored at directorate Health and Safety forum meetings.</p> <p><i>Revised deadline: 31 December 2011</i></p> <p>Management Update as at 3 January 2012:</p> <p>The Health & Safety Manager has confirmed that discussions with all Directorates are ongoing. As a result of the forthcoming restructure in the next financial year, it is expected that a greater level of advisory support will be available at Directorate level at the start of the 2012/13 financial year.</p> <p><i>Revised deadline: 1 April 2012</i></p> <p>Management Update as at 19 April 2012:</p> <p>Health and Safety advisory functions are being restructured. A summary report has been provided that clarifies changes. Due to the ongoing problematic process of providing service by service performance data, the following approach will be taken:</p> <ul style="list-style-type: none"> At each Corporate Health and Safety Committee the previous quarter's accident statistics will be discussed as a standing item and any specific trends identified for action via individual directorate committees. The Corporate H&S Committee is now chaired by the Head of HR. Directorate H&S Committee will also have the previous quarter's accident stats as a standing item. Trends will be

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
				<p>specified and target action will be agreed and timetabled.</p> <ul style="list-style-type: none"> Each directorate will have a dedicated safety advisor who will discuss appropriate performance reporting in relation to their significant health and safety risks via their Directorate Health and Safety Committees. The intention is for this to take the form of specific service areas undergoing a sampling process carried out between the safety advisor and relevant Service Head in relation to their risk assessments with full involvement by the Directorate Safety Liaison Officer and also areas of concern that may have been highlighted by the directorate accident stats. <p>This will take time as there are still a number of teething problems with individual directorates in relation to their committees. These issues will now be escalated to the Head of Human Resources where issues are not resolved within acceptable time frames</p> <p><i>Revised deadline: To be confirmed</i></p> <p>Management Update as at 21 August 2012:</p> <p>The structure outlined above is in place with a Corporate Health & Safety Committee. The timing for the full implementation of the recommendation is to be confirmed.</p> <p>The deadline for the implementation of the recommendation has now been confirmed as end of March 2013.</p>

Follow Up Table – 2011/12 Audit Work

DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2012/13

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AUDIT AREA	Assurance Level	Recommendations													Priority 1 ReCs. Outstanding
		Category				Implemented									
		1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due		
Corporate Resources															
Treasury Management	Substantial	0	1	1	2	0	1	1	2	0	0	0	0	0	0
Creditors	Substantial	0	2	0	2	0	2	0	2	0	0	0	0	0	0
Council Tax (KFS)	Substantial	0	0	1	1	0	0	1	1	0	0	0	0	0	0
Corporate Savings and Efficiency Programme	Substantial	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Use of external Counsel	Substantial	0	0	1	1	0	0	1	1	0	0	0	0	0	0
Customer Service Centres	Substantial	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Corporate Resources – Procurement															
Contract Standing Orders/ Scheme of Delegation	Limited	3	4	0	7	3	4	0	7	0	0	0	0	0	0
Homeless Persons Accommodation/Temporary Accommodation – procurement audit	Substantial	0	0	1	1	0	0	1	1	0	0	0	0	0	0
Hays Resource Management Contract – procurement audit	Limited	2	4	0	6	1	2	0	3	1	0	2	0	0	0
Corporate Resources – IT															
World Disaster Recovery Test	Substantial	0	1	3	4	0	1	3	4	0	0	0	0	0	0
Place & Sustainability															
Public Realm Contract - Contract Management	Substantial	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Parking Services - Pay and Display	Limited	2	5	1	8	2	5	1	8	0	0	0	0	0	0
Parking Services - Financial	Limited	2	2	0	4	1	2	0	3	0	1	0	0	1	1
Haringey Guarantee	Substantial	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Section 106 income and resources	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0	0
Leisure Services- income	Substantial	0	2	1	3	0	2	1	3	0	0	0	0	0	0

AUDIT AREA	Assurance Level	Recommendations												Priority 1 Recs. Outstanding
		Category				Implemented								
		1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due	
Children and Young People's Service														
Children's Centres														
Noel Park Children's Centre	Substantial	0	2	0	2	0	2	0	2	0	0	0	0	
Stonecroft Children's Centre	Substantial	1	3	0	4	1	3	0	4	0	0	0	0	
South Grove Children's Centre	Limited	5	4	0	9	2	3	0	5	1	0	3	0	
Children and Families Establishments														
Establishment 1	Limited	2	0	1	3	0	0	0	0	3	0	0	0	
Establishment 2	Limited	1	6	0	7	0	0	0	0	7	0	0	0	
Use of Petty Cash	Substantial	0	2	0	2	0	1	0	1	0	0	1	0	
School Admissions and Place Planning	Substantial	0	1	1	2	0	0	1	1	0	1	0	0	
Adult and Housing Services														
Homes for Haringey client-side monitoring	Substantial	0	0	2	2	0	0	2	2	0	0	0	0	
Housing Options – private renting scheme	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	
Personalisation Follow-Up	N/A	0	3	2	5	0	3	2	5	0	0	0	0	
Housing in Multiple Occupation – licensing arrangements.	Substantial	0	0	1	1	0	0	1	1	0	0	0	0	
Establishment Audits – Day Centres														
The Grange	Substantial	0	0	2	2	0	0	2	2	0	0	0	0	
The Haynes	Substantial	0	0	2	2	0	0	2	2	0	0	0	0	
The Haven Day Centre	Substantial	0	0	1	1	0	0	1	1	0	0	0	0	
Chief Executive – People and Organisational Development														

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AUDIT AREA	Assurance Level	Recommendations												Priority 1 Rees. Outstanding
		Category				Implemented								
		1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due	
Voluntary Redundancy Programme	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0
Equalities – Equality Impact Assessments and compliance with Equalities Act 2010	Substantial	0	1	0	1	0	1	0	1	0	0	0	0	0
Framework Agreements – Learning & Development	Limited	2	1	0	3	2	1	0	3	0	0	0	0	0
Total		20	47	21	88	12	36	20	68	12	2	6	0	3

Implemented – officers has indicated through self-certification the progress of recommendations. We have verified a sample of responses.
N/A – the recommendation is no longer applicable due to changes in the system, or alternative action has been taken to address the risk.
Not implemented – the recommendation has not been addressed, alternative action has not been taken.
In Progress – officers have started implementation of recommendations

Detailed Progress Report – Outstanding Recommendations 2011/12

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
CORPORATE RESOURCES – PROCUREMENT				
HAYS Resource Management				
1	<p>The HR team should request that HAYS Resources:</p> <ul style="list-style-type: none"> • Disclose the hidden information supporting the graphs within the monthly Headline Report; • Incorporate the job position numbers into the Headline Report; and • Ensure agency release forms are not processed without the job number included. 	2	October 2011	<p>In Progress</p> <p><i>Management update as at January 2012</i></p> <p>The new vendor system, Hays 3SS was due to go live on 7 January 2012. Notes and updates on the new system were circulated by the Head of HR Services to managers on 6 January 2012. It was expected that the implementation of the new system would result in the position and job numbers being made mandatory fields and in managers being able to produce their own reports to extract performance data from Hays 3SS.</p> <p>The system was piloted for a period of two weeks from 7-22 January 2012, prior to its expected full release. However, there were issues identified during the piloting stage. A meeting was held between the relevant Council officers and Hays on 20 January 2012 to review progress with the implementation phase and discuss the issues identified.</p> <p>However, subsequent to the meeting a decision was made by management to defer the implementation of the new system until further consideration is given to the issues and until the Council's IT systems are upgraded, as required, and further testing carried out. The decision was taken to continue with the Hays Workflow system until a technical solution is found and implemented with regards to Hays 3SS.</p> <p>Through discussions with management, we had identified</p>

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Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
2	The Balance Scorecard and Headline Report provided by HAYS Resources should be aligned to include information provided for management review in the same format. Any variation should be explained.	2	November 2011	<p>that only one officer within HR had access to the Hays 3SS system, while it was being piloted.</p> <p>The controlled two week pilot revealed technical issues which we cannot overcome at this point in time. In view of this, Hays have rolled us back to the Hays Workflow system. The existing process on Workflow remains unchanged.</p> <p>The timing of further testing and implementation of Hays 3SS will be dependent on the outcome of discussions with Hays and the resolution of technical issues.</p> <p>Management update as at March 2012</p> <p>Further work has now found that the technical issues impacting on the ability to implement the Hays 3SS system are that the HAYS system requires Internet Explorer 8 for it to work, while the Council is only on Internet Explorer 6. An upgrade is planned to bring the Council up to Internet Explorer 8 by IT Services later in the year, but first there is the testing of all other systems to ensure that they can run on Internet Explorer 8.</p> <p>Management update as at August 2012</p> <p>Internet Explorer 8 has been implemented but moving to the new system is now on hold as the contract is up for renewal as from April 2013.</p> <p>Revised deadline: April 2013.</p> <p>In Progress</p> <p>Management update as at January 2012</p> <p>The new vendor system, Hays 3SS was due to go live on 07/01/2011, followed by a two week piloting period.</p>

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
				<p>However, the implementation of the system has been put on hold pending resolution of the issues identified during the piloting stage.</p> <p>It was expected that under the new system, the management information would not be provided by Hays and the system would enable managers to decide what information they require.</p> <p>We will be in a position to check the required reporting options available to managers once the new system becomes fully operational.</p> <p>As above. Management should ensure that the new system generates the relevant management information.</p> <p>Management update as at March 2012</p> <p>Further work has now found that the technical issues impacting on the ability to implement the Hays 3SS system are that the HAYS system requires Internet Explorer 8 for it to work, while the Council is only on Internet Explorer 6. An upgrade is planned to bring the Council up to Internet Explorer 8 by IT Services later in the year, but first there is the testing of all other systems to ensure that they can run on Internet Explorer 8.</p> <p>Management update as at August 2012</p> <p>Internet Explorer 8 has been implemented but moving to the new system is now on hold as the contract is up for renewal as from April 2013.</p> <p>Revised deadline: April 2013.</p>

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Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
PLACE & SUSTAINABILITY				
Parking Services - Financial				
3	Management should periodically review the Baliff Monitoring spreadsheet to confirm that it is maintained as an up to date record.	1	Ongoing	<p>Not Implemented</p> <p><i>Management update as at November 2012</i></p> <p>The monitoring spreadsheet was last updated on 23/3/2012. The department migrated from CIVICA PES to CIVICA CE in April 2012.</p> <p>No physical payments have been received. This will be made a priority and the department estimates that this can be done by the end of December 2012.</p> <p><i>Revised deadline: 31 December 2012</i></p> <p><i>Internal Audit Update as at 11 January 2013:</i></p> <p><i>Management have confirmed that the review of the Baliff Monitoring Spreadsheet is in progress and is expected to be completed by 15 January 2013. We will follow this up and the Corporate Committee will be updated accordingly.</i></p>
CHILDREN AND YOUNG PEOPLE SERVICES				
South Grove Children's Centre				
4	<p>The following documents should be presented to the Children's Centre Committee for review and approval:</p> <ul style="list-style-type: none"> • Revised Internal Scheme of Financial Delegation; • Centre Development Plan for 2011/12; and • Haringey Schools Financial Manual. <p>The approval should be recorded in the minutes of the relevant Committee meeting.</p>	1	July 2012	<p>Partly Implemented</p> <p><i>Internal Audit update as at 16 November 2012</i></p> <p>The Headteacher has developed a spreadsheet which shows all policies requiring review and approval. There is a further sheet which includes when each policy was adopted. Examination of these indicates that the Finance Scheme of Delegation and Committee Terms of Reference were due for review by the Governing Body at its next meeting on 15</p>

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Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
	<p>The Committee should then formally advise the Governing Body with regards to acceptance of the documents. Governing Body approval should be recorded in the minutes of the relevant meeting.</p> <p>Furthermore, a process should be implemented for the continued relevance of all documents affecting the governance of the Centre to be confirmed by the Children's Centre Committee.</p>			<p>November 2012. The Centre Development Plan was also due for review and approval by the Governors. Closure of the recommendation will be completed upon review of the meeting minutes when these become available.</p> <p>Internal Audit Comment as at 11 January 2013:</p> <p><i>This is currently being addressed by the Governing Body, as part of the implementation of the internal audit recommendations relating to Seven Sisters Primary School, to which South Grove Children's Centre is linked. We have arranged a follow up visit at Seven Sisters Primary School in February 2013 and we will confirm the implementation status of this recommendation during the visit.</i></p>
5	<p>The Centre's non-staff costs budget should be allocated across all relevant cost centres and budget monitoring reports should be produced to identify the budget performance of individual cost centres to assist with effective budget monitoring.</p> <p>A process should be implemented for the Centre's Quarterly Management Report to be presented to the Finance and Personnel Committee on a regular basis, and for any issues to be reported to the Governing Body. Discussion of the budget at all meetings should be recorded in the meeting minutes.</p>	1	September 2012	<p>Partly Implemented</p> <p>Internal Audit update as at 16 November 2012</p> <p>RM Budget v Actual Report obtained, which confirms non-staff costs accounted under CFR E32 on 14 different budget starting 'CC'.</p> <p>Budget v Actual reports have been produced as part of the month end reports. Non-staff costs have been allocated across relevant cost centres.</p> <p>However, while Quarter 1 Management Return for 2012/13 was on the agenda of the Finance & Personnel Committee meeting on 5 July 2012, examination of the minutes of the meeting found no records to confirm that the return was reviewed and approved by the Committee Members. Therefore there is no indication as to whether any issues have been reported to the Governing Body.</p> <p>Revised deadline: <i>To be confirmed (It is to be noted that a new Finance Manager has been appointed and it is</i></p>

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Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
				<p><i>expected that the relevant action will be addressed in due course).</i></p> <p>Internal Audit Comment as at 11 January 2013:</p> <p><i>This is currently being addressed and will be followed up during our visit to Seven Sisters Primary School in February 2013.</i></p>
6	<p>The results of the asset inventory checks should be reported to either the Children's Centre Committee or the Governing Body for review and further action, where appropriate.</p> <p>Furthermore, all current and future assets should be security marked, as confirmation of the Centre's ownership of the assets.</p>	2	July 2012	<p>Partly Implemented</p> <p>Internal Audit update as at 16 November 2012</p> <p>There is a separate asset inventory for the Children Centre, checked by the Centre Manager on 15 June 2012. This was due to be reported to the Governing Body at its meeting on 15 November 2012.</p> <p>Examination of the inventory found it does not record any security marking number against individual assets. Although the Head Teacher stated that assets are marked by ultra violet pen, we have suggested that more visible security markings should be used, such as Haringey labels.</p> <p>Revised deadline: To be confirmed</p> <p>Internal Audit Comment as at 11 January 2013:</p> <p><i>This is currently being addressed and will be followed up during our visit to Seven Sisters Primary School in February 2013.</i></p>
Use of Petty Cash				
7	<p>Authorised signatory records for all petty cash authorisers should be updated to reflect current limits of authorisation. The records should be updated on a periodic basis.</p> <p>Only delegated authorised signatories should certify petty</p>	2	March 2012	<p>In Progress</p> <p>Management update as at 31 August 2012</p> <p>The Service has asked for signatory records to be checked</p>

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
	cash claims for processing. Where not substantiated, the claims should be rejected until appropriate authorisation is received. Further, the Scheme of Delegation should be updated to include current petty cash thresholds.			and updated and the Scheme of Delegation to be updated. This has been completed and is subject to review. <i>Update as at 20 November 2012</i> The CYPs Scheme of Delegation has been updated and includes petty cash thresholds. However, no documentary evidence has been made available yet to confirm that the authorised signatory records for all petty cash authorisers have been updated. <i>Revised deadline: To be confirmed.</i> <i>Internal Audit Update as at 11 January 2013:</i> <i>Management informed us that updating authorised signatory cards was dependent on the Directorate Schemes of Delegation being updated. As the Schemes of Delegation have now been completed, individual officers will be required to provide complete signatory cards. It is planned that this will be completed by the end of March 2013.</i> <i>Revised deadline: 31 March 2013</i>

School Admissions and Place Planning

8	On completion of the annual upload of the Determined Admission Arrangements criteria, a record of the data input should be taken. The record should be signed by the officer who input the data, then checked and signed off as correct by a second officer.	2	Immediate	Not Implemented <i>Management Response</i> A written recording on this procedure can be made. <i>Management update as at 23 August 2012</i> The admission arrangements must be determined by the 15 April each year in any given year. The Admissions database should be set up to reflect these arrangements for 1 September in the same year. The admission arrangements for 2013/14 were determined by 15 April 2012. The
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Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
				<p>inputted data will be checked and signed off on 31 August 2012.</p> <p>This will be confirmed during the audit of in-year admissions planned to commence in November 2012.</p> <p><i>Management update as at 11 January 2013</i></p> <p>The update of the system for the 2013/14 admission arrangements has not as yet been completed. It is planned that this will be completed by the end of January 2013.</p> <p><i>Revised deadline: 31 January 2013.</i></p>

Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our internal audit 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 internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

London

January 2013

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APPENDIX B
IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/04/12 - 31/03/13& B/F FROM 2011/12

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 31/12/2012	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
Children's and Young People's Services	Allegation of housing benefit fraud B/F 2011/12	1	1	1	Resigned	
	Failed to declare income increase for benefit purposes B/F 2011/12	1	1	1	Resigned	
	Code of Conduct B/F 2011/12	1	0	0	Final Written Warning	
	Allegation of bringing the Council into disrepute	1	1	1	Dismissed	
	Allegation of failure to declare true circumstances for Council Tax purposes	1	1	1	Final Written Warning	£747
Corporate Resources	Allegation that employee is working whilst off sick B/F 2011/12	1	1	1	Resigned	
	Allegation of gross misconduct	1	1	1	Resigned	

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IN HOUSE AUDIT - IRREGULARITIES INVESTIGATED 01/04/12 - 31/03/13& B/F FROM 2011/12

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 31/12/2012	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
Adults and Housing	Allegation of failure to declare income changes for benefit purposes B/F2011/12	1	1	1	Dismissed	41,758
	Allegation of undeclared other employment B/F2011/12	1	0	0	Appeal Upheld the Decision to Dismiss	
	Allegation that employee is running a business from their desk	1	1	1	Dismissed	
Place and Sustainability	Allegation that employee abused position of trust	1	1	1	Appeal Lodged	
	Allegation that employee has failed to declare a private interest B/F2011/12	1	1	1	Employee Dismissed	
	Allegation that employee used false driving licence B/F2011/12	1	1	1	Warning	
					Employment Contract Ended	

APPENDIX B
IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/04/12 - 31/03/13& B/F FROM 2011/12

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 31/12/2012	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
	Allegation of submission of altered medical certificate B/F 2011/12	1	1	1	Standard Setting Hearing	
	Allegation of time sheet fraud	1	1	1	Disciplinary Hearing Pending	
	Allegation of theft/falsification of records	1	1	1	Resigned	
TOTAL		16	14	14		42,505

Haringey Council – Corporate Committee

Disciplinary Case Analysis October to December 2012

Introduction

The information in this report is taken from SAP, covering the period **October 2012 – December 2012**.

The data is based on Haringey Council employees who

- hold Permanent, Temporary or Fixed Term Contracts

Note that this data excludes:

- Casual or Sessional Workers
- Schools
- Agency Workers

Legend

Adults & Housing	AS
The Children & Young People's Service	C
Chief Executive	CE
Corporate Resources	CR
Public Health	PH
Place & Sustainability	PS
Haringey Council	HGY

The Council's Disciplinary Procedure is considered as a tool to assist in good management and not solely as a means of imposing sanctions or setting out procedures leading to dismissal.

The procedure aims to:

- Allow managers to address issues of unsatisfactory conduct and seek improvements in behaviour
 - Ensure that employees covered by the procedure are treated fairly and consistently
 - Ensure that proper and adequate procedures are observed before any disciplinary decisions are taken
 - Help and encourage all employees to achieve and maintain standards of conduct, attendance and job performance
 - Maintain discipline essential to the delivery of high quality services
 - Protect the health, safety and well being of staff, service users and members of the public
 - Safeguard the integrity and good reputation of the Council
- (Disciplinary Procedure July 2005)*

Disciplinary Cases

This section looks at the number of formal actions taken against employees under the disciplinary procedure.

Disciplinary Cases by Directorate				
Directorate	Cases Open	Cases Closed	No of cases	No of employees
AS	6	4	10	9
C	3	2	5	5
CE	0	0	0	0
CR	0	2	2	2
PH	0	0	0	0
PS	13	9	22	19
Grand Total	22	17	39	35

Please note that the total number of cases is 39, but this only represents 35 employees. The reason being is that one employee can have more than one case in the same period. For example, an employee's dismissal could count as one case and their appeal as another.

- **Place & Sustainability** has the highest percentage of disciplinary cases against its workforce at 2.11% in this quarter
- 22 cases remain 'open' at the end of this period

The following table looks at the stages of Disciplinary cases.

Stages of Disciplinary Cases				
Stage	Cases Open	Cases Closed	Total	%
Invest. - not suspended	7	5	12	31
Invest. - suspended	12	11	23	59
ET	3	0	3	8
Appeal	0	1	1	3
Total	22	17	39	100

The following table identifies the outcomes of the 17 cases that were closed in this period.

Disciplinary Case Outcomes						
Outcome	Invest. - not suspended	Invest. - suspended	Invest. - appeal	Invest. - ET	Total	%
Compromise agreement	0	0	0	0	0	0
Dis. Appeal Dismissed	0	0	0	0	0	0
Dis. Appeal Part Upheld	0	0	0	0	0	0
Dis. Appeal Upheld	0	0	0	0	0	0
Dis. Appeal Withdrawn	0	0	1	0	1	6
Dis. Dismissal	0	4	0	0	4	24
Dis. ET Dismissed	0	0	0	0	0	0
Dis. ET Withdrawn	0	0	0	0	0	0
Dis. Final Written Warning	1	1	0	0	2	12
Dis. No Action	0	0	0	0	0	0
Dis. Other	1	0	0	0	1	6
Dis. Relegation/Demotion	0	0	0	0	0	0
Dis. Resigned	0	2	0	0	2	12
Dis. Verbal Warning	1	0	0	0	1	6
Dis. Warning & Sanction	0	1	0	0	1	6
Dis. Written Warning	1	0	0	0	1	6
Escalated to next stage	1	0	0	0	1	6
Suspension Lifted	0	3	0	0	3	18
Total	5	11	1	0	17	100

This table displays reasons for Disciplinary action against employees.

Reasons for Disciplinary Cases				
Reason	Cases Open	Cases Closed	Total	%
Assault	0	1	1	3
Attendance	1	0	1	3
Behaviour	5	6	11	28
Fraud / Theft	4	2	6	15
Misuse of resources	1	2	3	8
Negligence	3	3	6	15
Other	8	3	11	28

- The highest cause for disciplinary action was for **Behaviour** at 28% and **Other Reasons** at 28%

This table looks at the ethnic breakdown and gender split for Disciplinary cases

Disciplinary Case employee representation by Ethnicity and Gender						
Ethnic Class	Female		Male		All	
	Total	%	Total	%	Total	%
B A M E	16	59	11	41	27	77
White	1	14	6	86	7	20
Not Declared	1	100	0	0	1	3
Total	18	51	17	49	35	100

- 32% of the workforce is male, but the male representation with disciplinary cases is higher at 49%

The following table looks at the ethnic breakdown per Directorate and across grade bands.

Disciplinary Case employee representation by Ethnicity and Grade Band													
(T = Total no. in grade band, WF = % of total disciplined employees in Directorate)													
Dir	Ethnic Group	SC1-SC5		SC6-SO2		PO1-PO3		PO4-PO7		PO8+		TOTAL	
		T	WF	T	WF	T	WF	T	WF	T	WF	T	WF
AS	B & ME	3	33	4	44	1	11	1	11	0	0	9	100
	White	0	0	0	0	0	0	0	0	0	0	0	0
	Total	3	33	4	44	1	11	1	11	0	0	9	100
C	B & ME	1	20	0	0	0	0	2	40	0	0	3	60
	White	0	0	1	20	0	0	1	20	0	0	2	40
	Total	1	20	1	20	0	0	3	60	0	0	5	100
CE	B & ME	0	0	0	0	0	0	0	0	0	0	0	0
	White	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0
CR	B & ME	0	0	0	0	1	50	0	0	0	0	1	50
	White	0	0	0	0	0	0	0	0	1	50	1	50
	Total	0	0	0	0	1	50	0	0	1	50	2	100
PH	B & ME	0	0	0	0	0	0	0	0	0	0	0	0
	White	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0
PS	B & ME	10	56	4	22	0	0	0	0	0	0	14	78
	White	3	17	0	0	1	6	0	0	0	0	4	22
	Total	13	72	4	22	1	6	0	0	0	0	18	100
HGY	B & ME	14	41	8	24	2	6	3	9	0	0	27	79
	White	3	9	1	3	1	3	1	3	1	3	7	21
	Total	17	50	9	26	3	9	4	12	1	3	*34	100

* 1 employee in grade band SC1-SC5 did not declare ethnicity

Suspensions

This table shows a summary of suspension cases.

Summary of Suspension Cases	
Case status	Total
No. of cases heard	9
No. of cases not concluded	12
No. of cases not concluded - leaver	2
Total	23

Timescales (no of days) of Suspension Cases

The table below looks at the 23 suspension cases and identifies the no. of working days each case has taken. If a case has not concluded by the end of the quarter, the number of working days is calculated from the start date of the suspension to the end of the quarter.

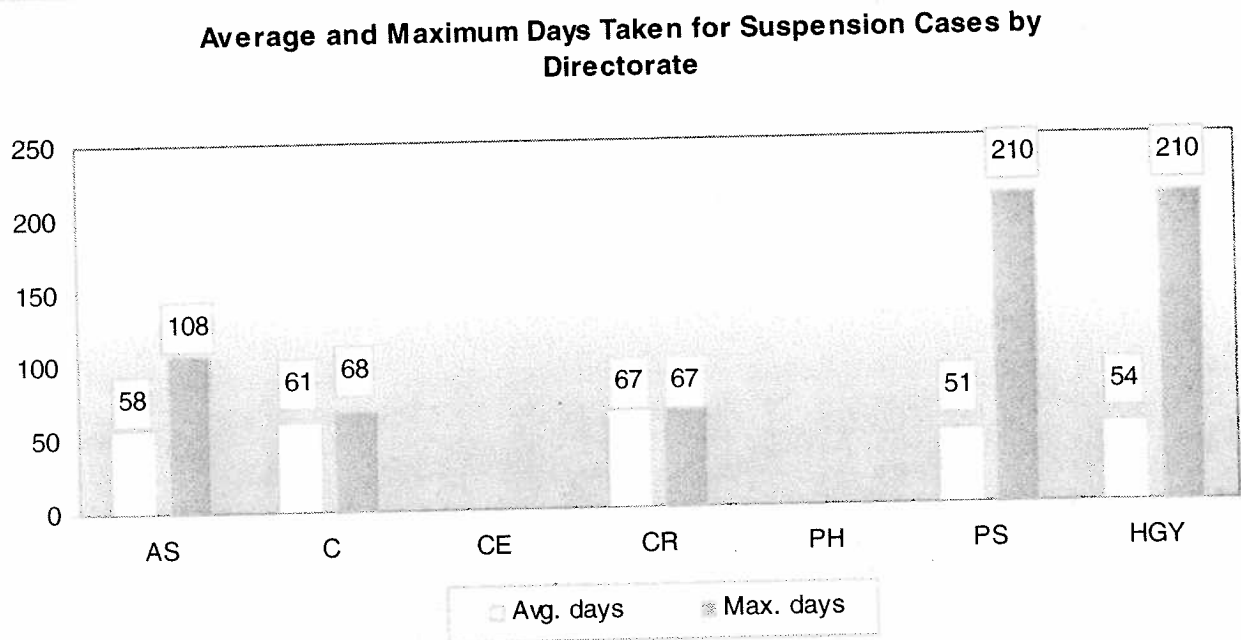
The table also identifies by directorate, the average number of days suspension for all cases, the maximum days for a single case and the number of cases heard within that period.

Timescales (no of days) of Suspension Cases										
Directorate	1-60	61-120	121-180	181-240	240+	Total cases	Total days	Avg. days of total cases	Max. Days	Total cases heard
AS	4	3	0	0	0	7	403	58	108	3
C	1	1	0	0	0	2	122	61	68	1
CE	0	0	0	0	0	0	0	0	0	0
CR	0	1	0	0	0	1	67	67	67	0
PH	0	0	0	0	0	0	0	0	0	0
PS	10	1	1	1	0	13	660	51	210	5
HGY	15	6	1	1	0	23	1252	54	210	9
Total cases closed	5	5	1	0	0	11				

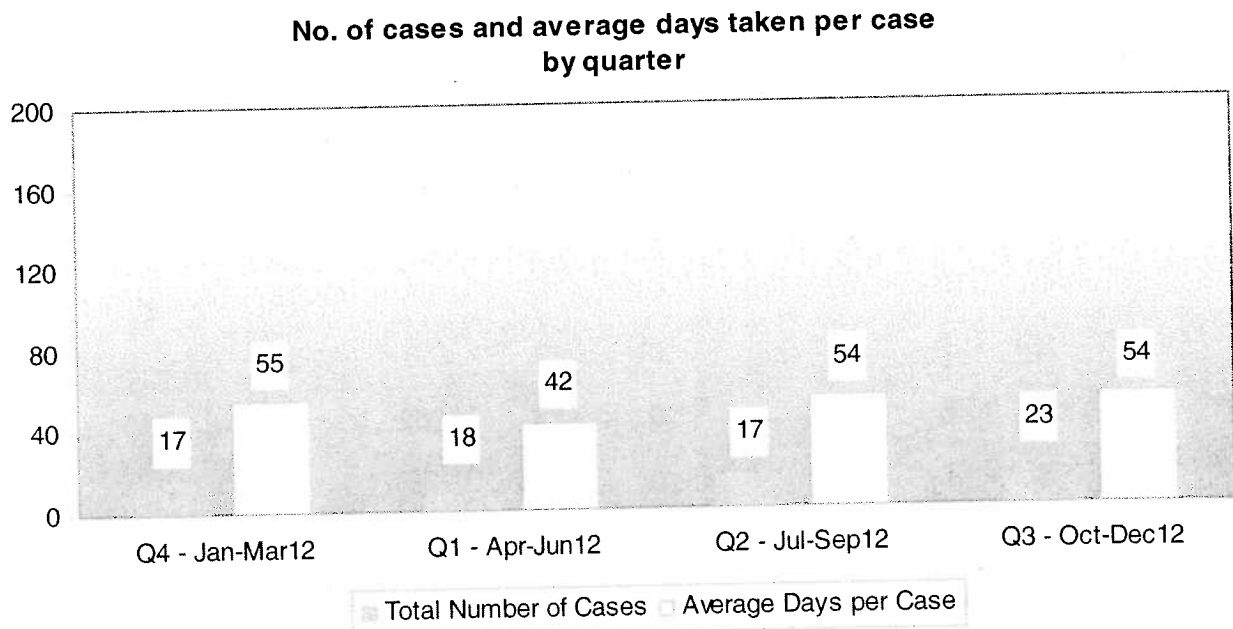
On average, 54 days were spent on each suspension case within the quarter.

Suspensions (continued)

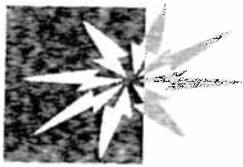
The chart below illustrates the average and maximum number of days taken for a suspension case by Directorate for the quarter.

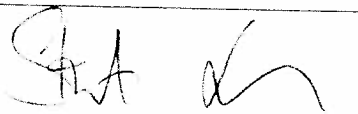


The chart below looks at the number of suspension cases per quarter for a rolling year and highlights Haringey Council's average number of days per case.



The average number of days suspended for the quarter was 54 with a total of 23 cases. 11 of these cases remain open at the end of quarter 3.

**Haringey Council**

Report for:	Corporate Committee on 22 January 2013	Item Number:	
Title:	Use of Consultants – Policy update		
Report Authorised by:	 Stuart Young, Assistant Chief Executive		
Lead Officer:	Steve Davies, Head of Human Resources		
Ward(s) affected: ALL		Report for Key/ Non Key Decisions: Non Key Decision	

1. Describe the issue under consideration

To provide the committee with an update on the processes and systems used for the control and usage of consultants across the council.

2. Cabinet Member introduction

Not applicable

3. Recommendations

That the committee approve the updated process and systems for the control and usage of consultants across the council attached in the accompanying appendices to this report.

4. Other options considered

Not applicable.

5. Background information

- 5.1 General Purposes Committee first approved a policy on the control and usage of consultants in March 2006. Members have received several updates about the arrangements for engaging consultants since that time, for example at General Purposes Committee in April 2007, June 2008; Overview and Scrutiny Committee in December 2010; at Corporate Committee in July 2011; and the process was reviewed by officers further in November 2011.
- 5.2 This report provides the Corporate Committee with the opportunity to approve further updates to the process and systems for the engagement of consultants.
- 5.3 Expenditure on consultants is an area of spend that comes under regular scrutiny by Members. It is important to understand that consultants may be funded from either revenue, capital or some other grant stream. Examples of capital funded consultants are those on large projects/ programmes e.g. building programmes. Grant funded consultants are usually engaged to help provide expertise for a specific programme of work. Revenue funded consultants are typically those who provide additional specific services and expertise to the council because the council staff do not have the capacity, knowledge, experience, or skills to provide these services. Commonly the tenure of consultants is relatively short term (months rather than years) and although a premium is usually paid for their services it is difficult to say that there is not a requirement for these services.
- 5.4 For the purpose of this policy the term consultants covers the following workers - individuals providing support to finite work such as projects, usually paid on a daily rate or a set amount for the package of services and engaged under a contract for services. Typically engaged as freelance providers or sourced from a consultant company. The use of Interims will also be monitored - individuals providing services usually to cover a vacant job, these will be monitored and reported separately and should be treated on a similar basis as Agency staff. They will typically be engaged under a contract for services either as a freelance or via a recruitment company.
- 5.5 The engagement of consultants is via a hiring process that is controlled using Harinet. Hiring managers must complete an electronic form that requires them to provide a business case for engaging the consultant in advance. Attached in appendices A and B are the consultant policy and

business case form. Members are asked to note that the process includes use of the HMRC Employment status tool for assessing taxation.

5.6 There are three Options to select from to engage a consultant:

- Option 1 - Contracted Partners - use this option to engage consultant via one of our recruitment partners (Gatenby Sanderson, Hays, Odgers, Penna)
- Option 2 - Onboarding via Contracted Partners - use this option to Onboard an existing consultant via one of our recruitment partners (Gatenby Sanderson, Hays, Odgers or Penna) for a charge of 3-5%
- Option 3 - Open - use this option to engage a consultant directly or via a non recruitment partner agency

All options require the manager to:

- submit a business case to their Director for approval prior to engaging a consultant
- complete and submit the relevant eform notifying Procurement and HR that a consultant has been engaged

5.7 The use of consultants & interims will be monitored and reported on a regular basis to Corporate Committee as part of the Internal Audit Update report. Outlined in appendix C is a summary of the type of information that is proposed.

5.8 Prior to production of this new reporting format, attached at appendix D is a summary of the numbers of consultants & interims engaged at present. This shows there are currently 17 consultants and 7 interims.

6. Comments of the Chief Finance Officer and financial implications

All Directors have been reviewing and continue to review the number and use of consultants in their areas particularly those funded from Haringey revenue budgets. The consultant policy and process outlined in the attached appendices enable on-going challenge and monitoring of the use of consultants council-wide.

It should be noted that many of the consultants are interims covering senior posts pending recruitment, are working on major infrastructure projects in the borough or are working on projects that contribute towards corporate savings targets and initiatives that will increase efficiency. Attention is also drawn to Appendix A which states that it is Council policy for the hiring manager to ensure the transfer of skills / knowledge from consultants to Haringey employees to help minimise future requirements.

7. Head of Legal Services and legal implications

The Head of Legal Services has seen this report and has no specific comment to make.

8. Equalities and Community Cohesion Comments

There are no equality impacts arising out of the updates to processes and system proposed.

9. Head of Procurement Comments

Not applicable

10. Policy Implications

Not applicable.

11. Use of Appendices

Appendix A – Use of Consultants/ Interims Policy

Appendix B – Consultant Business Case Form

Appendix C - Outline of the consultant & interim information to be provided as part of the Internal Audit Update report

Appendix D – Summary of the numbers of consultants & interims engaged at present

12. Local Government (Access to Information) Act 1985

No documents that require to be listed were used in the preparation of this report.

HARINGEY COUNCIL

POLICY FOR USE OF CONSULTANTS / INTERIMS

Introduction

The Council recognises that the use of consultants can enable the smooth running of Council Services by providing an element of flexibility within the workforce. It is, however, Council policy to ensure non-permanent workers are used within corporate frameworks, which reflect the Council's values and at those times when service delivery would be adversely affected without the additional cover and resource they can provide. The Council policy is also for hiring managers to ensure the transferral of skills/knowledge from consultants to Haringey employees in order to reduce future requirements.

CONSULTANTS / INTERIMS

Definition

Consultants - For the purpose of this document the term 'consultant' relates to those people who are either freelance / self employed or supplied by a consultancy to work on a temporary basis for the Council providing support to finite work such as projects, usually paid on a daily rate or a set amount for the package of services and engaged under a contract for services. Such consultants normally charge their services at a daily rate or a set fee for an entire project.

Interims - individuals providing services usually to cover a vacant job, these will be monitored and reported separately and should be treated on a similar basis as Agency staff. They will typically be engaged under a contract for services either as a freelance or via a recruitment company. Such consultants will normally be required to provide senior and/or specialist positions and cost in excess of £250 per day.

Exclusions;

The consultant process described below will not be applicable to the following:

- Consultants engaged following procurement exercises e.g. Logica, or the Council or Office of Government Commerce (OGC) frameworks
- Agency temps – any worker provided via an agency or consultancy listed on the Resource Centre's supply chain. These workers can only be engaged and paid via the Resource Centre. *Please refer to the policy for use of Temporary Agency workers. If you wish to add an agency to the supply chain then please contact the Resource Centre who will endeavour to engage them.*

ENGAGING CONSULTANTS / INTERIMS

There are three Options to select from to engage a consultant/ interim:

- Option 1 - Contracted Partners - use this option to engage consultant/ interim via one of our recruitment partners (Gatenby Sanderson, Hays, Odgers, Penna)
- Option 2 - Onboarding via Contracted Partners - use this option to Onboard an existing consultant/ interim via one of our recruitment partners (Gatenby Sanderson, Hays, Odgers or Penna) for a charge of 3-5%

- Option 3 - Open - use this option to engage a consultant directly or via a non recruitment partner agency. The processes outlined below relate to the way in which a consultant / interim can be engaged following the council's normal procurement processes.

Note – If engaging a consultant/ interim directly under option 3 the manager must use the HMRC Employment Status Indicator tool - <http://www.hmrc.gov.uk/calcs/esi.htm> - to establish whether the worker is self employed or should be subject to PAYE. If the HMRC Employment Status Indicator tool confirms that the worker is not self employed the manager must contact HR for advice.

PROCUREMENT PROCESS - MANAGER RESPONSIBILITIES

It is the responsibility of managers to:

- Complete the HMRC Employment Status Indicator tool – see above
- work within corporate frameworks. Managers should only go outside a framework to recruit a consultant where those consultancies on the framework are unable to meet their requirements
- ensure a Consultant business case form is completed.
- ensure that the appropriate authorisation documentation is completed and signed off by the Director. (see authorisation levels below)
- ensure that a contract is put in place outlining the Consultants responsibilities, targets and monitoring.
- ensure that the contract is recorded on the Corporate Contract Management System (http://harinet.haringey.gov.uk/contract_loading_template.doc)
- to raise a purchase order on SAP for each Consultant using the 'self employed' revenue GL code or capital GL code.
- ensure that information about current Consultants is correctly recorded on the Consultant e-form on Harinet at the beginning of each engagement.
- ensure that all consultants are provided with suitable induction
- provide additional information on the use of consultants as and when required for monitoring purposes
- retain a copy of any authorised Business Case forms for monitoring purposes
- keep the use of consultants under regular review

Note – the Procurement team will not authorise payment of consultant invoices unless all the relevant paperwork is completed.

- Only authorised budget holders can complete the consultant business case form to seek approval for spends on Consultants
- The budget holder is responsible for ensuring that sufficient funds are available to cover expenditure and that accurate records on use and payment are maintained.
- In the event of an existing consultant requiring an extension, the Director must approve the extension **before** the end of the current contract.

AUTHORISATION LEVELS

Dependant on the level of spend a report must be submitted to the appropriate personnel/body. *(Please seek advice from your Directorate's contract officers to assist with this process.)*

Under contract standing orders (CSO) the following rules apply (see CONSTITUTION PART FOUR – RULES OF PROCEDURE Section J– Contract Procedure Rules paragraphs 8 & 9 as at May 2012)

Procedure for Contracts valued below £100,000

- Where a contract has an estimated value of less than £5,000 (five thousand), the relevant Director should act in the manner most expedient to the efficient management of the service, having kept a record for so doing.
- Where a contract has an estimated value of more than £5,000 (five thousand), but less than £100,000 (one hundred thousand), at least three competitive quotations should be obtained from chosen contractors without the need for an advertisement or the tender procedure followed.
- The quotation procedure shall replicate contract standing orders with regard to receipt and opening of bids and will be managed by the:
 - relevant Director where the estimated value of the contract is more than £5,000 (five thousand) but less than £50,000 (fifty thousand).
 - Head of Procurement where the estimated value of the contract is more than £50,000 (fifty thousand) but less than £100,000 (one hundred thousand).
- Where a pre-qualified Framework arrangement (including approved lists) exists in respect of the subject matter and prices have yet to be determined then a mini-competition shall be held in which tenders shall be invited from all members of the framework agreement which are capable of carrying out the requirements of the specific contract.
- The Head of Procurement may decide that these processes are not appropriate in order to secure value for money for the Council and to ensure general EU procurement law principles are complied with. If that is the case, he/she may determine another process of selecting a contractor which will meet best value criteria. The decision and process must be properly documented.

Contracts with an estimated value of £100,000 (one hundred thousand) or more must be let following an appropriate advertisement and tender process as outlined in contract standing orders.

A Director may award, assign, or novate contracts valued at £250,000 (two hundred and fifty thousand) or less.

Contracts valued over £250,000 (two hundred and fifty thousand) at the time of award may only be awarded, assigned, or novated by the Cabinet.

USE OF CONSULTANTS/ INTERIMS

Consultants or Interims should be engaged for a finite period e.g. 6 – 12 months. If a longer period is required it must be authorised by the Director.

Use of Consultants should represent value for money.

Interims should only be used in circumstances where:

- (a) the need for the work is expected to be temporary e.g. meeting peak workloads, seasonal requirements, where the duration of the work is limited by finance available, where redundancies / re-organisations are pending or where there is a particular skills gap; or
- (b) the need for a particular individual to do the job is temporary e.g. covering for sickness, maternity, acting up, secondment etc or while a vacancy is being filled; **and**

there is no possibility of

- covering the workload using existing employees
- appointing a redeployee
- arranging for an existing worker to 'act up'

Induction and Performance Management

Managers using consultants are responsible for the performance of service delivery by the consultants, including an appropriate level of induction to the council processes, systems and procedures.

Where the consultant does not perform to the required standard, the manager should terminate the contract with appropriate notice.

MONITORING

The Council's Human Resources service will monitor the use of consultants & interims and report on a regular basis to Corporate Committee.

ADDITIONAL INFORMATION

Hiring Managers must take into account the following additional information when recruiting consultants or interims.

- Equality and Diversity including the Equal Opportunities Statement
- Ensuring necessary criminal checks are made using the Disclosure & Barring Service. (formerly the Criminal Records Bureau/ Independent Safeguarding Authority)
- Records management, Data Protection and confidentiality
- Monitoring and Audits of consultancy/ agency usage
- Council values and ways of working

Consultant - Business Case /Agency Brief

Please complete this form in order to get approval to recruit a consultant.

One form per consultant.

Your Service Information	
Directorate	
Business Unit	
Service	
Your Contact details	
Your Name	
Your Job Designation	
Your Telephone No.	
Business Case Outline Why You Require a Consultant	
Why do you require a Consultant	
What will the job role mainly consist of	
Is the consultant covering a funded position?	
If so, what is the position number of the position to be covered by the consultant	
If not, how will you fund the consultant	
How long will the consultant be required	
What is the expected daily rate of pay	
Could the job role be offered/covered by a secondment opportunity or act up? If not, please state why not.	
What is impact of not filling this job role (financial, service delivery etc...)	

AGENCY BRIEF																															
Are you approaching an Agency to (a) supply you with people from which to select a Consultant or (b) onboard a person you have hired?	YES	NO																													
	Please complete the rest of the form	Please prepare a Contract Please check that the Consultant has Professional Liability Indemnity																													
Is the consultant required to deliver an existing Job role	YES	NO																													
	Please attach the Job Description	Please produce and attach and outline of the Job role and key skill requirements																													
Please indicate what specific previous Skills or Experience is required:																															
<p>The consultant will be required for the period(s) indicated below:</p> <table border="1" style="margin: 10px auto; width: 80%; border-collapse: collapse;"> <tr> <td style="padding: 5px; text-align: center;">Please complete as relevant</td> </tr> <tr> <td style="padding: 5px;">.....Number of days</td> </tr> <tr> <td style="padding: 5px;">.....Number of Weeks</td> </tr> <tr> <td style="padding: 5px;">.....Number of months</td> </tr> </table> <p>Preferred Start date:.....</p>		Please complete as relevantNumber of daysNumber of WeeksNumber of months	<p>Expected pattern of work:</p> <table border="1" style="margin: 10px auto; width: 80%; border-collapse: collapse;"> <tr> <th style="padding: 5px;">Preferred Work Pattern</th> <th style="padding: 5px;">Tick the relevant option</th> </tr> <tr><td style="padding: 5px;">5 days a week</td><td style="padding: 5px;"></td></tr> <tr><td style="padding: 5px;">4 days a week</td><td style="padding: 5px;"></td></tr> <tr><td style="padding: 5px;">3 days a week</td><td style="padding: 5px;"></td></tr> <tr><td style="padding: 5px;">2 days a week</td><td style="padding: 5px;"></td></tr> <tr><td style="padding: 5px;">1 day a week</td><td style="padding: 5px;"></td></tr> <tr><td style="padding: 5px;">Other</td><td style="padding: 5px;"></td></tr> </table>		Preferred Work Pattern	Tick the relevant option	5 days a week		4 days a week		3 days a week		2 days a week		1 day a week		Other											
Please complete as relevant																															
.....Number of days																															
.....Number of Weeks																															
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Preferred Work Pattern	Tick the relevant option																														
5 days a week																															
4 days a week																															
3 days a week																															
2 days a week																															
1 day a week																															
Other																															
Please indicate the rate range per day that you have already agreed to pay the consultant or if you are going through the agency route, the maximum rate that you seeking to pay - Tick that which is applicable																															
<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <th style="padding: 5px;">From £</th> <th style="padding: 5px;">To £</th> <th style="padding: 5px;">Tick as relevant</th> <th style="padding: 5px;"></th> <th style="padding: 5px;">From £</th> <th style="padding: 5px;">To £</th> <th style="padding: 5px;">Tick as relevant</th> </tr> <tr> <td style="padding: 5px;">50</td> <td style="padding: 5px;">100</td> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> <td style="padding: 5px;">151</td> <td style="padding: 5px;">200</td> <td style="padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;">101</td> <td style="padding: 5px;">150</td> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> <td style="padding: 5px;">201</td> <td style="padding: 5px;">250</td> <td style="padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> <td style="padding: 5px;">£251+</td> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> </tr> </table>				From £	To £	Tick as relevant		From £	To £	Tick as relevant	50	100			151	200		101	150			201	250						£251+		
From £	To £	Tick as relevant		From £	To £	Tick as relevant																									
50	100			151	200																										
101	150			201	250																										
				£251+																											
What do you expect the total cost of this engagement to be?																															
Will you be within the CSO authorisation levels - paragraph 5 of the Use of Consultants/Self Employed Workers Policy – put in link			<div style="display: flex; justify-content: space-around;"> Yes No </div>																												

Approval Section			
Director Name	Signature	Date :	Yes or No

Consultant Approval Snapshot Process		
Sign off process	Approved	Not Approved
1. Director	Return the signed form to the requesting Manager	Return form to the requesting Manager
2. Manager	Follow the process outline held in harinet – attach this form to the eform	No further action

Appendix C

Outline of the consultant & interim information to be provided as part of the Internal Audit Update report to Corporate Committee

Monitoring Report on the Use of Consultants and Interims

Each consultant/ interim to be listed as a single line

Dir	Business unit	Name of consultancy / agency or if applicable mark 'Self Employed'	Interim or Consultant	Start date	Likely End date of contract	Charge rate - to be expressed as a daily rate	Days per week	Funding from Revenue, Capital or Grant	Reason for engagement and benefits

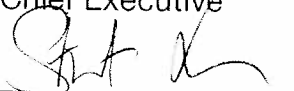
Appendix D

Summary of the numbers of consultants & interims engaged at present

Directorate	Number of Consultants less than 5 days per week	Number of Consultants 5 days per week	Number of Interims less than 5 days per week	Number of Interims 5 days per week	Total
Adult & Housing	1				1
Children & Young People	3			1	4
Corporate	3		1	3	7
Place & Sustainability	9	1	1	1	12
Total	16	1	2	5	24



Haringey Council

Report for:	Corporate Committee 22 January 2013	Item number	
Title:	Delegated Decisions /Significant Actions/ Urgent Actions		
Report authorised by :	Assistant Chief Executive 		
Lead Officer:	Ayshe Simsek (Tel. 020 8489 2929)		
Ward(s) affected: Not applicable		Report for Key/Non Key Decision: For information	

1. Describe the issue under consideration

To inform the Corporate Committee of Non Executive delegated decisions and significant actions taken by Directors.

To further advise of any urgent actions taken by Directors in consultation with the Chair of the Corporate Committee since the previous meeting.

The report details by number and type decisions taken by Directors under delegated powers. Significant actions (decisions involving expenditure of more than £100,000) taken during the same period are also detailed.

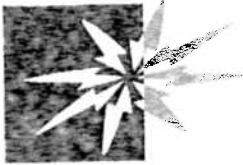
2. Cabinet Member Introduction

Not applicable

3. Recommendations

That the report be noted.

4. Other options considered



Haringey Council

Not applicable

5. Background information

To inform the Corporate Committee of non executive delegated decisions and significant actions taken by Directors

The report details by number and type decisions taken by Directors under delegated powers. Significant actions) decisions involving expenditure of more than £100,000) taken during the same period are also detailed.

In keeping with usual practices and working procedures used for Cabinet, the attached report details urgent actions taken by Directors in consultation with Corporate Committee Chair since last reported .Part three, Section E, under the scheme of delegation paragraph 4.03, of the Council Constitution provides guidance on the action that needs to be taken on any urgent matter between meetings of the Cabinet, or any committee or Sub Committee of the Cabinet or the Council.

Staffing changes in Adults service – (attached at appendix 1)

The establishment changes in Adults services are arising from reductions in Housing related support funding. Following a review ,a decision was confirmed at Cabinet on 13th November 2012 to cease funding of certain tasks for older people . The establishment changes are:

- Deletion of 25 scheme support assistant posts, including 11 posts being deleted as a result of voluntary redundancy
- Establishment of 8 peripatetic scheme cleaner posts (30 hours/week each) including 1 Scheme Cleaning Supervisor
- Deletion of 1 administrative Assistant post (36 hours)
- Establishment of 1 Team Manager post (36 hours) - not to be recruited to without further consultation with trade unions following agreed transfer of line management responsibility for support service to Housing by end of March 2013.

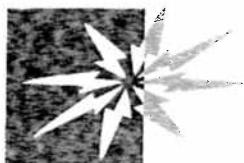
6. Comments of the Chief Financial Officer and financial Implications

Where appropriate these are contained in the individual delegations.

7. Head of Legal Services and Legal Implications

Where appropriate these are contained in the individual delegations.

8. Equalities and Community Cohesion Comments



Haringey Council

Where appropriate these are contained in the individual delegations.

9. Policy Implications

Where appropriate these are contained in the individual delegations.

10. Use of Appendices

The appendices to the report set out by number and type decisions taken by Directors under delegated powers. Significant actions (Decisions involving expenditure of more than £100,000) taken during the same period are also detailed.

11. Local Government (Access to Information) Act 1985

Background Papers

The following background papers were used in the preparation of this report;

Delegated Decisions and Significant Action Forms

Those marked with ♦ contain exempt information and are not available for public inspection.

The background papers are located at River Park House, 225 High Road, Wood Green, London N22 8HQ.

DIRECTOR OF ADULT AND HOUSING SERVICES**Significant decisions - Delegated Action –December 2012**

♦ denotes background papers are Exempt.

No	Date approved by Director	Title	Decision
1.	20.12.12	Supported Housing Establishment Changes	Approved
2.			
3.			
4.			

Delegated Action

	Number
11.12.12: Healthwatch Haringey	
28.12.12: LBH contract with Haringey Shed Ltd – Haringey Voluntary Sector Investment Funding Agreement	

Submission authorised by: MT Phung
Mun Thong Phung - Director of Adult and Housing Services

Date: 8th January 2012

DIRECTOR OF (insert name of Directorate)

Significant decisions - Delegated Action 2005/06

◆ denotes background papers are Exempt.

No	Date approved by Director	Title	Decision
1.	03.12.12	Admission of Balfour Beatty Workplace Ltd as a Transferee Admission Body	For the Section 151 Officer to approve the admission of Balfour Beatty Workplace Ltd as a transferee admission body to the Haringey Council Pension Fund.
2.	04.12.12	Admission of Fusion Lifestyle as a Transferee Admission Body	For the Section 151 Officer to approve the admission of Fusion Lifestyle as a transferee admission body to the Haringey Council Pension Fund.
3.			
4.			

Delegated Action

[illegible]

DIRECTOR OF PLACE AND SUSTAINABILITY

Significant decisions - Delegated Action: November

♦ denotes background papers are Exempt.

No	Date approved by Director	Title	Decision
1.	02.11.12	Libraries	Following the deletion in the HESP savings of the PO3 Principle Library Manager for Marcus Garvey and Tottenham branch libraries, it has not been possible to provide the level of management supervision and support at MG library on a daily basis that this library needs. It is therefore proposed to establish a temporary library manager post to MG library. The post will be a temporary post, initially for 6 months and subject to a full library review and restructure of the services. The post has been evaluated at PO1 and will be managed by the library service delivery and development manager.
2.	15.11.12	Leisure Commissioning	Delete 2 posts Sports Hub Officer & Club Coach/Volunteer Officer where external funding is no longer available to support the posts. Create new post of Sport & Physical Activity Commissioning Officer.
3.			
4.			
5.			
6.			
7.			

Delegated Action

Type	Number
------	--------

70

[illegible]

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is exempt

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