

## NOTICE OF MEETING

# CORPORATE COMMITTEE

**Thursday, 26th November, 2015, 7.00 pm - Civic Centre, High Road, Wood Green, N22 8LE**

**Members:** Councillors Eddie Griffith (Vice-Chair), Gina Adamou, Joseph Ejiofor, Sarah Elliott, Emine Ibrahim, Felicia Opoku, Ali Gul Ozbek, Barbara Blake (Chair), Gideon Bull, Isidoros Diakides, Charles Adje and Viv Ross

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

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on. By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

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

### **2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)**

### **3. 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 item 11).

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

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

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

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

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

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

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

**6. MINUTES (PAGES 1 - 8)**

To consider and agree the minutes of the meeting held on 24 September 2015.

**7. FOLLOW UP FOLLOWING SCHOOLS NOT COMPLYING WITH AUDIT RECOMMENDATIONS (PAGES 9 - 44)**

Report of the Deputy Chief Executive to set out a process that will be followed by officers in the schools and learning service, in liaison with auditors, to ensure all schools subject to recommendations address them.

**8. INTERNAL AUDIT Q2 PROGRESS REPORT (PAGES 45 - 58)**

Report of the Assistant Director of Corporate Governance to detail the work undertaken by the Internal Audit and Counter Fraud Teams in the quarter ending 30 September 2015.

**9. TREASURY MANAGEMENT MID YEAR UPDATE (PAGES 59 - 84)**

Report of the Chief Operating Officer to update the Committee on the Council's treasury management activities and performance in the six months to 30<sup>th</sup> September 2015 in accordance with the CIPFA Treasury Management Code of Practice. It is a requirement of the Code for the report also to be considered by Council. A first draft of the proposed investment strategy for 2016-17 is also discussed.

**10. INDIVIDUAL ELECTORAL REGISTRATION (PAGES 85 - 88)**

Report of the Assistant Director of Corporate Governance to outline the status of the second year of the new Individual Electoral Registration system in the context of the “end of transition” to the system.

**11. ANY OTHER BUSINESS OF AN URGENT NATURE**

To consider any items admitted at item 2 above.

**12. DATE AND TIME OF NEXT MEETING**

Monday, 8 February 2016, 7pm.

Helen Chapman  
Tel – 020 8489 2615  
Fax – 020 8881 5218  
Email: [helen.chapman@haringey.gov.uk](mailto:helen.chapman@haringey.gov.uk)

Bernie Ryan  
Assistant Director – Corporate Governance and Monitoring Officer  
River Park House, 225 High Road, Wood Green, N22 8HQ

Wednesday, 18 November 2015

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**MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE  
HELD ON THURSDAY, 24th SEPTEMBER, 2015, 7.00 - 8.55 pm**

**PRESENT:**

**Councillors: Barbara Blake (Chair) Eddie Griffith (Vice-Chair),  
Gina Adamou, Emine Ibrahim, Felicia Opoku, Gideon Bull,  
Isidoros Diakides and Charles Adje**

**20. FILMING AT MEETINGS**

The Chair referred Members present to agenda item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein.

**21. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)**

Apologies for absence were received from Cllr Ejiofor and Cllr Elliott.

**22. URGENT BUSINESS**

There were no items of urgent business.

**23. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**24. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS**

There were no such items.

**25. MINUTES**

**RESOLVED**

That the minutes of the meeting of the Corporate Committee held on 22 June 2015 be approved as a correct record and signed by the Chair.

The Committee wished to place on record its thanks to Kevin Bartle for the excellent quality of support and guidance he had given to Members, and that he would be greatly missed when he left the Council later in the year.

**26. TREASURY MANAGEMENT JUNE 2015 ACTIVITY AND PERFORMANCE UPDATE**

The Committee received the Treasury Management update report for the three months to 30<sup>th</sup> June 2015, presented by George Bruce, Head of Finance – Treasury and Pensions.

In response to a question from the Committee regarding interest rates for new borrowing, Mr Bruce advised that rates were currently attractive but were expected to rise in due course; it was noted that the specific rates for any forthcoming capital borrowing would depend on the individual project.

The Committee asked about the Council's deposits, and the recent downgrading of Barclays Treasury to A-. Mr Bruce advised that A- was the minimum rating acceptable and that Barclays remained on the investment list as it met the criteria required by the Council. It was noted that the Council targeted an average credit score across its deposits.

### **RESOLVED**

That the Committee note the Treasury Management activity undertaken during the three months to 30<sup>th</sup> June 2015 and the performance achieved.

#### **27. STATEMENT OF ACCOUNTS 2014/15 AND AUDIT FINDINGS REPORT (ISA 260)**

The Committee received the report on the Statement of Accounts 2014/15 and Audit Findings Report, presented by Tracie Evans, Chief Operating Officer, Neville Murton, Head of Finance – Accounting and Control, and Paul Jacklin, Grant Thornton.

In presenting the Audit Findings Report, Mr Jacklin gave an overview of the audit findings, value for money conclusion and the audit fee as set out in the report. Mr Jacklin advised that there were no unadjusted errors that the Committee needed to be made aware of. It was noted that, from 2017/18, the audit of the accounts would need to be completed by the end of July instead of September and that this was something that the Council would need to give consideration to. The Committee noted that it had not yet been possible for Grant Thornton to issue the certificate for the 2013/14 audit due to outstanding objections raised on the accounts, however it was anticipated that this would be concluded soon.

The Committee asked about the audit recommendation in respect of debt over two years old, and what these debts comprised of. It was reported that these debts were from a variety of sources, including Council Tax arrears and parking charges. Committee Members advised that they were aware that the Council was sometimes able to recover old debts through legal proceedings, and therefore asked for more information regarding this recommendation. Mr Jacklin advised that the recommendation was that the Council should assess the likelihood that old debts could be recovered on a case by case basis, and write off those debts assessed as unrecoverable. It was confirmed that there was no suggestion that the Council should not pursue debts that were potentially recoverable.

The Committee expressed concern regarding the amount of unrecovered debt over two years old, and asked for information on what the Council was doing to recover this money. Ms Evans reported that a dedicated project team had been established to

focus on assessing the recoverability of old debts, and to improve the systems used for chasing and collecting money owed to the Council. It was acknowledged that increased automation of debt collection processes had resulted in some loss of focus on this area, and that there was now a recognised need to review these arrangements and improve the effectiveness of the systems in place. In response to concerns raised by Members of the Committee regarding the size of the team previously working on collection of debts, Ms Evans confirmed that a business case had been developed for increased resource in this area, and it was as a result of this that the current project team had been established.

In response to a question regarding the Council's performance on debt collection, Paul Dossett, Grant Thornton, advised that the Council generally performed well on this, but that historically there had not been sufficient focus on the collection of old debts. In response to a question regarding the cut-off point of two years, Mr Dossett advised that Grant Thornton had taken the view that debts outstanding after two years were unlikely to be collectable.

The Committee expressed concern that one of the causes of debt owed to the Council was delay in the housing benefits assessment process, and asked what was being done by the Council to ensure that these claims were being managed as quickly and accurately as possible. Ms Evans agreed that it was important to ensure that systems and timescales for benefits and Council Tax assessments were improved, and that this was being worked on as part of the current phase of the Business Improvement Programme. It was also noted that there had been a discussion on this issue at the previous meeting of the Committee. The Committee also expressed concern regarding the apparent lack of communication between different departments, for example in respect of court summons being issued for Council Tax arrears where a benefit claim assessment was outstanding; Ms Evans advised that it was anticipated that the co-location of these teams within the shared service centre would help to address this issue.

The Committee asked about the General Fund and Housing Revenue Account (HRA) surpluses (37.2m and £12m respectively), and what would happen to these. Mr Murton advised that the General Fund surplus would go into the Council's general balances and would be available for use in future years. In response to a question as to whether the Cabinet would have been aware of these surpluses at the time the budget for 2015/16 was set, Mr Murton advised that these surpluses would have been reported on as part of the regular budget monitoring reports, and this information would therefore have been available as part of the budget setting process. It was noted that interest rates being lower than anticipated accounted for much of the underspend, and also contingencies not being called on. In response to a question regarding the HRA surplus, it was reported that it had been a deliberate strategy to generate a surplus in order to fund stock repair and new housing stock in future years. For clarification, it was confirmed that the surplus in this area was not the result of underspending, but was generated from rental income. It was noted that this had been the strategy for the past few years, with the surplus each year identified for investment in specific schemes.

Members expressed concern that the General Fund surplus of £7.2m, while a small proportion of the overall Council budget, was still a significant sum of money and that

residents would find it hard to understand that such an underspend could take place in the same year that there had been service reductions due to budget pressures. Cllr Ibrahim noted that she had asked a question relating to this matter in a previous meeting, and felt that what was being reported now differed slightly from the response she had received at that time. She wished for her concerns in this respect to be noted for the record.

Mr Dossett advised that Grant Thornton had issued an unqualified Value for Money conclusion as part of their audit report; it was noted that while the Council did not budget for an underspend, there were factors such as interest rates that it was not possible to anticipate. Mr Dossett noted that the next spending review was likely to be very challenging for local government, and that it would be increasingly important for local authorities to have sufficient reserves from 2017/8 onwards. Grant Thornton were of the view that local authorities should always seek to balance their budgets, and gave their opinion as auditors that the Council was managing its budgets well.

The Committee asked about the reasons for the reported reduction in teenage pregnancy rates in the borough, in response to which Ms Evans advised that the Public Health team were currently undertaking some analysis around this. It was noted that significant intervention had been carried out in relation to this issue, however, and it was expected that the reduction in teenage pregnancy rates was likely to be as a result of this work.

The Committee asked about Haringey's target for council tax collection, and how this compared with other local authorities. Mr Murton advised that Haringey's target had been 94% for 2014/15, which had been exceeded, and that the target had therefore been increased to 95% for 2015/16. It was noted that the benchmark target for other local authorities was in the region of 96-97%. In response to a question from the Committee, Mr Murton advised that each 1% increase in the council tax collection rate equated to approximately £0.75m and that the increase in collection rate target for this financial year had been factored into the Council's overall budget.

The Committee asked Grant Thornton about their responsibilities in respect of identifying and reporting on areas of waste, for example vacant buildings being held by the Council. Mr Dossett advised that the role of external audit was to monitor the Council's systems and arrangements for financial resilience, economy and efficiency, and whether these were robust, and that highlighting individual examples of waste was not a role of the auditor. It was reported that auditors no longer had the power to advise local authorities against particular policy decisions, although in the event that they were aware that the Council was about to embark on a programme entailing significant risk, they would look at this within the context of the Council's wider arrangements and consider the outcomes.

With regard to the surpluses reported, the Committee proposed writing to the Cabinet to express the concerns of the Corporate Committee and to request a response on how these had arisen and what would happen to the resources concerned. It was agreed that this would be undertaken.

The Chair noted that the Statement of Accounts was a very well-written document, and was easy for a non-financial expert to understand. The Chair thanked Kevin



Bartle, Neville Murton, Lubna Nasir and the team for their work in producing the accounts.

**RESOLVED**

1. That the Committee note the contents of the report and the verbal presentation given by Grant Thornton at the meeting.
2. That the Committee approve the Statement of Accounts 2014/15, subject to any final changes required by the conclusion of the audit, being delegated to the Chief Financial Officer in consultation with the Chair.
3. That the Committee note the Audit Findings Report (ISA 260) of the auditors, Grant Thornton, and approve the management responses in the Grant Thornton action plan contained within that report.
4. That the Committee write to the Cabinet, outlining its concerns in relation to the General Fund and Housing Revenue Account surpluses and requesting an explanation of how these were generated and what would happen to these surpluses.

**28. EXTERNAL AUDIT - PROGRESS UPDATE**

The Committee considered the external auditors' update report, presented by Paul Dossett, Grant Thornton. The Committee was asked to note in particular the work on certifying the 2013/14 audit which it was anticipated would be completed shortly, and the Housing Benefit certification work, a report on which would be presented to the next meeting of the Committee. The report also gave an overview of other documents and reports which might be of interest to the Committee.

In response to a question from the Committee regarding the inclusion of the section on devolution, Mr Dossett advised that this was to draw the Committee's attention to the LGA white paper on devolution and that Grant Thornton would also be issuing a report on this subject shortly.

The Chair thanked Grant Thornton for this update, and for their work in respect of the audit of the Statement of Accounts.

**RESOLVED**

That the content of the report be noted.

**29. QUARTERLY INTERNAL AUDIT REPORT - QUARTER 1**

The Committee considered the internal audit progress report for quarter 1 2015/16, as presented by Anne Woods, Head of Audit and Risk Management. Ms Woods advised the Committee that the outstanding recommendation from 2013/14 in respect of the Pan London (Major) Equipment Service had now been confirmed as completed following the drafting of the report. In response to a question from the Committee regarding the reason for the delay in completing this recommendation, Ms Woods

advised that the matter had been chased by the Council, but that she was not aware of the reason for the delay.

The Committee asked about the follow up audits reported on, and the reasons for some audit recommendations being no longer applicable. Ms Woods advised that there were a number of reasons for this, for example in this quarter there were a number of recommendations relating to manual processes, which had subsequently been replaced by a new computer system. In response to a question regarding the 88% compliance rate, Ms Woods advised that, given that some recommendations ceased to be applicable, it was not always possible to achieve 100% compliance. It was reported that the Council's focus was on ensuring 100% compliance with priority 1 recommendations and that this had been achieved in this quarter.

The Committee asked whether further action was taken against employees who resigned as a result of investigations into financial irregularities. Ms Woods advised that no further action would be taken where no financial implications for the Council had been identified, but that action would be taken against former employees to recover any money owed to the Council identified during the course of an investigation.

The Committee asked about the length of tenancy fraud cases – it was reported that some were resolved within days whereas others could take up to three years to progress through legal proceedings and Judicial Review. It was also noted that some investigations and prosecutions were undertaken jointly with other authorities and that this could increase the risk of delay. It was noted that the target for the completion of an investigation was eight weeks, and that this was achieved in 99% of cases, but that especially complex investigations could take up to three months to complete.

The Committee noted the summary of the audit of Pendarren Outdoor Education Centre, and asked what was being done to address the issues identified. Ms Woods advised that support mechanisms and guidance were now in place to support management at the centre, specifically in relation to financial governance, and a detailed action plan had been drawn up.

In response to a question from the Committee regarding the work undertaken to prevent money laundering, Ms Woods confirmed that the Council had a statutory duty to investigate and validate sources of funds, and would be liable in the event that due investigation was not carried out. In respect of Right to Buy applications, the Council undertook investigation of the sources of funding being proposed for deposits and looked for an audit trail to substantiate that the source of funding was legitimate. The Committee noted that they were made aware by residents of the stringent checks in place around Right to Buy applications and were reassured by this.

## **RESOLVED**

That the Committee note the audit coverage and anti-fraud work completed; and the actions taken during the quarter to ensure audit recommendations are implemented and address the outstanding recommendations during the first quarter 2015/16.

### **30. CORPORATE ANTI-FRAUD AND CORRUPTION POLICY AND STRATEGY**

The Committee considered the report on the Corporate Anti-fraud and Corruption Policy and Strategy, as presented by Anne Woods, Head of Audit and Risk Management.

The Committee asked about the Council's approach to prevention of money laundering, and whether it was as systematic in its investigations across all departments as it was in relation to Right to Buy applications. Ms Woods advised that it was difficult to identify every possible process where money laundering was a risk, however staff in departments where they were likely to encounter significant financial transactions were briefed on the anti-money laundering policy, and due diligence was undertaken as part of the process for adding any organisation onto the Council's vendor management system. The Committee asked about regeneration projects and the risk of money laundering associated with property investment from overseas investors; Tracie Evans, Chief Operating Officer, advised that the Council would have responsibility for undergoing the necessary checks to prevent money laundering when they were the vendor, but that where a private company was selling property within the borough, the responsibility rested with that company, in accordance with legislation.

Referring to the Anti-fraud Strategy, the Committee asked whether it would be possible for senior officers' declarations of interest and registers of gifts and hospitality to be made public, in the same way as Councillors' records were. Ms Evans agreed that transparency was essential within the Council and that the best way of making these records public for senior officers was currently being considered. It was anticipated that this would be achieved by the end of the year. The Committee noted that this was particularly important given the levels of decision making delegated to senior officers.

## **RESOLVED**

That the Committee approve the updated Corporate Anti-fraud and Corruption Policy and Strategy, together with the appended Fraud Response Plan, Whistle-blowing Policy, Sanctions Policy, Anti-money Laundering Policy and Anti-bribery Policy.

### **31. DELEGATED DECISIONS, SIGNIFICANT ACTIONS AND URGENT ACTIONS**

The Committee noted the content of the report.

### **32. ANY OTHER BUSINESS OF AN URGENT NATURE**

There were no new items of urgent business.

### **33. DATE AND TIME OF NEXT MEETING**

26 November 2015, 7pm.

CHAIR: Councillor Barbara Blake

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**Report for:** Corporate Committee

**Item number:**

**Title:** Follow up following schools not complying with audit recommendations

**Report authorised by:** Zina Etheridge, deputy chief executive

**Lead Officer:** Chris Kiernan, interim assistant director, schools and learning

**Ward(s) affected:** NA

**Key/non key decision:** Non key

**1 Describe the issue under consideration**

- 1.1 The council needs assurance that maintained schools have appropriate plans in place to meet any recommendations arising from audit and risk management reports.
- 1.2 The report sets out a process that will be followed by officers in the schools and learning service, in liaison with auditors, to ensure all schools subject to recommendations address them.

**2 Recommendations**

- 2.1 It is recommended that, in cases where audit and risk management officers follow up a school audit report and find that there is non-compliance with any priority one and two recommendations, the auditor concerned should inform the school, in writing, of the requirement to demonstrate compliance within 15 working days; either by providing evidence to confirm the recommendation has been fully implemented, or an action plan that sets out the timeframe and means of implementation..
- 2.2 Should the auditor fail to receive evidence of compliance that she or he finds satisfactory, at that point, school governor services should be informed.
- 2.3 The head of governor support will liaise directly with the head teacher and chair of governors to ensure compliance with all recommendations. Compliance will be enforced through an escalation process as follows:
  - the first stage of escalation will be a letter to the head teacher and chair of governors stating the requirement that they offer assurance that appropriate action is being taken to address recommendations made within a specified time, to be specified by the head of governor services (following consultation with the head of audit and risk management);
  - should appropriate assurance not be given within the timescale set, an informal warning notice will be sent to the school by the assistant director, schools and learning, stating the requirement for the school to offer assurance of action to comply with audit recommendations within a specified time – this will generally be the same as for a formal warning notice (15 working days), but the assistant director, in consultation with the head of audit and risk management, may vary this;
  - should appropriate assurance not be provided within the timescale set in the informal notice, a formal warning notice, under section 60 (2) (b) of the Education and Inspections Act, 2006) will be sent to the head teacher and chair of governors by the director of children’s services, which must be responded to within 15 working days;
  - should appropriate assurance still not be forthcoming, the director of children’s services will consider what action should be taken using powers set out in section 63, 64, 65 or 66 of the Education and Inspections Act, 2006.

### **3 Reasons for decision**

3.1 While in most cases, head teachers and chairs of governors respond appropriately to audit recommendations and requirements, there are instances where this is not the case. To date, council officers have not used statutory powers that allow the council to intervene.

3.2 The following examples are issues resulting in Priority 1 recommendations being made:

- quotations and contract procedures not followed when awarding high value (over £25k) works
- high value expenditure not approved by relevant governing body;
- no evidence of the governing body meeting;
- no scheme of delegation in place;
- school development plan not approved;
- budget not approved;
- senior staff salaries set outside the scale and not approved.

3.2 This report recommends that the following sections of the Education Act, 2006 are considered for use in instances of non-compliance:

- section 60 (<http://www.legislation.gov.uk/ukpga/2006/40/section/60>), which empowers the council to issue a warning notice with which the school must comply where the standards of performance of pupils at the school are unacceptably low or there has been a serious breakdown in the way the school is managed or governed or the safety of pupils or staff of the school is threatened (whether by a breakdown of discipline or otherwise);
- section 63 (<http://www.legislation.gov.uk/ukpga/2006/40/section/63>), under which the council can require a governing body to enter into a contract or other arrangement with a specified person (for the provision to the governing body of specified services of an advisory nature);
- section 64 (<http://www.legislation.gov.uk/ukpga/2006/40/section/64>), which enables the council to appoint additional governors;
- section 66 (<http://www.legislation.gov.uk/ukpga/2006/40/section/66>), under which financial delegation is withdrawn, and the local authority can direct the head teacher to comply;
- section 65 (<http://www.legislation.gov.uk/ukpga/2006/40/section/65>), which gives the council the power to disband the governing body and constitute a new governing body comprising interim executive board members, following a consultation period, and an application to the secretary of state for approval.

### **4 Alternative options considered**

4.1 The alternative is to continue with the current follow-up process used by audit and risk officers. This is to follow up non-compliance with category one and two recommendations with the head teacher of the school concerned.

4.2 The problem with this option is that, in too many cases, there is continued non-compliance. In 2014/15, Internal audit followed up the 58 Priority one and 137 Priority two recommendations made in 2013/14 and found that 28 Priority one and 74 Priority two recommendations had not been implemented at the time of the follow up audit.

- 4.3 Hence the recommendations for the use – it is hoped only in a very limited number of cases – of an escalation process using the council’s powers under the relevant sections of the Education and Inspections Act, 2006.

**5 Background information**

- 5.1 The council has powers and duties under the School Standards and Framework Act, 1998 and the Education Act, 2002.
- 5.2 The council’s chief operating officer has the overall duty to ensure that maintained schools have appropriate financial and other systems that are compliant with the relevant Acts of Parliament, regulations and statutory instruments. Council officers have the right to attend meetings of governing bodies to advise or report on major financial and other compliance matters, as well as statutory intervention powers as set out above.

**6 Contribution to strategic outcomes**

- 6.1 Proper response to recommendations following an audit of a school is essential to good governance, which in turn contributes to priority one of the council’s strategic plan: Enable every child and young person to have the best start in life, with high quality education.

**7 Statutory officer comments (chief finance officer (including procurement), assistant director of corporate governance, equalities)**

**Finance and procurement**

- 7.1 Corporate Finance have been consulted during the drafting of this report and support the recommendations. The establishment of a clear process for dealing with persistent non compliance will contribute to maintaining good governance and sound financial management for Haringey schools. The processes set out should largely carried out by existing staff; if additional costs do arise then wherever possible they should be charged to the budget of the school in question.

**Legal**

- 7.2 The legal issues arising, which relates to the powers of the local authority to intervene in schools causing concern, are dealt with in the report under section 3. The local authority must also have regard to the guidance issued by the Secretary of State titled “Schools causing concern – Statutory guidance for local authorities January 2015” which sets out how the local authority should exercise its functions in respect of schools causing concerns. A copy of the statutory guidance is attached as Appendix 1.

**Equality**

- 7.3 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:
- a) tackling discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
  - b) advance equality of opportunity between people who share those protected characteristics and people who do not; and
  - c) foster good relations between people who share those characteristics and people who do not

- 7.4 The follow up on audit recommendations is a critical part of how the Council intends to oversee the delivery of its Education Excellence Policy across maintained schools in the borough.
- 7.5 The Council's education excellence policy aims to enhance the equality of opportunity through ensuring that all groups of children and young people are reaching their learning potential. Providing professional challenge for schools, and most especially those requiring improvement, through effective follow up on audit and risk management will support the delivery of this aim. This applies across the range of age groups receiving education services in the borough, from early years (0-5 years) to young people (aged 16+).

Annex to the report: <https://www.gov.uk/government/publications/schools-causing-concern--2>





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Department  
for Education

# **Schools causing concern**

**Statutory guidance for local authorities**

**January 2015**

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## Summary

### About this guidance

This is statutory guidance given by the Department for Education, on behalf of the Secretary of State, relating to maintained schools causing concern.

Section 72 of the Education and Inspections Act 2006 places a statutory duty on all local authorities in England, in exercising their functions in respect of schools causing concern as set out in Part 4 of the 2006 Act, to have regard to any guidance given from time to time by the Secretary of State. Local authorities must have regard to this guidance.

It also provides non-statutory guidance on approaches which local authorities should take in overseeing effective governance in the schools which they maintain.

### Expiry or review date

This guidance will be kept under review and updated as necessary.

### What legislation does this guidance refer to?

- Education and Inspections Act 2006 (“the 2006 Act”)
- Apprenticeships, Skills, Children and Learning Act, 2009 (ASCL Act) (amended the 2006 Act)
- Education Act 2011 (amended the 2006 Act, and Schedule 14)
- Education Act 2002, including Schedule 2
- Education Act 2005
- School Standards and Framework Act 1998
- The School Governance (Transition from an Interim Executive Board)(England) Regulations 2010 (Transition Regulations)
- Academies Act 2010

### Who is this guidance for?

- Local authorities, who must have regard to it.
- Dioceses, School Foundations and Governing Bodies of maintained schools.

- Other persons or bodies, such as maintained schools, who may find it useful.

## Key points

- This guidance provides information on the legislative requirements for intervening in maintained<sup>1</sup> “schools causing concern”. Those using this guidance, particularly local authorities, who must have regard to it should also be familiar with the actual wording of the legislation to which this guidance relates, as listed above, in particular Part 4 of, and Schedule 6 to, the 2006 Act, but also the Academies Act 2010.
- This guidance covers “schools causing concern” (within the meaning of section 44 of the Education Act 2005) that are “eligible for intervention” (within the meaning of Part 4 of the 2006 Act), but also other maintained schools about which the local authority and/or the Secretary of State have serious concerns which need tackling.
- For the purpose of this guidance, a “warning notice” is one that is issued to the governing body of a maintained school by the local authority where one or more of the grounds in section 60(2)(a-c) are satisfied: unacceptably low standards of performance of pupils, serious breakdown in the way the school is managed or governed that is prejudicing (or likely to prejudice) standards of performance (this could include where there is evidence of very poor financial management), and/or safety of pupils or staff of the school is threatened.
- For the purpose of this guidance, “unacceptably low standards of performance” includes: standards below the floor, on either attainment or progress of pupils; low standards achieved by disadvantage pupils; a sudden drop in performance; sustained historical underperformance; performance of pupils (including disadvantaged pupils) unacceptably low in relation to expected achievement or prior attainment; or performance of a school not meeting the expected standards of comparable schools.
- In these situations, the local authority should issue a warning notice unless there is a particular reason not to do so. In cases of sustained underperformance, the warning notice should make clear that an academy solution is expected.
- The local authority should also consider issuing a warning notice in cases where schools have not responded robustly or rapidly enough to a recommendation by Ofsted to commission an external review of the use and impact of the Pupil Premium and/or an external review of their governance arrangements.

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<sup>1</sup> Note that a maintained school means (a) a community, foundation or voluntary school, (b) a community or foundation special school, or (c) a maintained nursery school.

- A maintained school will be “eligible for intervention” under the 2006 Act if it has not complied with a warning notice and the local authority have also given the school written notice of their intention to exercise their intervention powers under Part 4 of the 2006 Act, or where the school has been judged by Ofsted to require “significant improvement” (a “serious weaknesses” judgment under the September 2012 Ofsted framework) or “special measures”<sup>2</sup>.
- Where maintained schools are eligible for intervention local authorities have powers under the 2006 Act to: suspend the delegated budget of the school; appoint an Interim Executive Board (IEB); appoint additional governors; or require the governing body to enter into specified arrangements with a view to improving the performance of the school. Local authorities should also consider contacting the Department for Education to discuss academy sponsorship as soon as they are being made aware that a maintained school is likely to be rated as inadequate by Ofsted.
- Where maintained schools are eligible for intervention, the Secretary of State has the power to appoint additional governors, appoint an IEB, or direct the local authority to close a school. The Secretary of State also has the power under the Academies Act 2010 to make an academy order, subject in certain cases to consultation<sup>3</sup>.
- Academies are accountable to the Secretary of State for Education. Therefore, local authorities should focus their school improvement activity on the schools they maintain. Local authorities should raise any concerns they have about an academy’s performance directly with their Regional Schools Commissioner.
- Local authorities can, if they choose, look at overall performance in their area (including academies) using data available to them such as RAISEonline. This can then be used to flag up concerns with Regional Schools Commissioners; or to facilitate fora where all local schools (including academies) are able to compare data, hold each other to account and discuss school to school support.
- Local authorities are responsible for those children and young people (under age 25) in its area who have, or may have, special educational needs (SEN) and must exercise its functions to identify children and young people with SEN. These SEN duties apply regardless of where the child is educated.
- Local authorities have overarching duties under the Children Act 1989 in respect of the safeguarding of children in need, or those suffering or at risk of suffering significant harm, regardless of where those individual children are educated or found. To comply with these duties, local authorities may need to work with

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<sup>2</sup> School Causing Concerns are defined in section 44 of the Education Act 2005

<sup>3</sup> see further detail in Section 5 of this guidance



maintained schools, academy trusts or independent schools (wherever the individual child concerned is educated) to investigate what action they need to take to safeguard such a child.

- Where a local authority has concerns about an academy's safeguarding arrangements or procedures (arising as a result of investigations about individual children or otherwise), these concerns should be reported to the Education Funding Agency (EFA) who have responsibility to take any necessary improvement action and to monitor the situation.
- Where a local authority has a concern about an independent school's safeguarding arrangements or procedures (arising as a result of investigations about individual children or otherwise), these concerns should be reported to the Independent Education and School Governance Division at the Department for Education, who have responsibility for enforcing the independent school standards and taking regulatory action as necessary.
- Where a local authority has a concern about safeguarding at a maintained school, the authority can use the intervention powers set out in Sections 2, 3 and 4 of this guidance. In addition to the Schools Causing Concern guidance there are two other statutory documents that provide guidance on the roles and responsibilities for safeguarding: 'Keeping Children Safe in Education' and 'Working Together to Safeguard Children'. The guidance makes clear what all education institutions (including academies) should do to safeguard children in their care.
- Local authorities should take an active interest in the quality of governance in the schools they maintain and have appropriate monitoring arrangements to spot early signs of failure in relation to finance, safety or performance standards.

## Section 1: Introduction

This statutory guidance sets out the local authority's role in relation to maintained schools that are causing concern. It sets out the importance of early intervention and of swift and robust action to tackle failure, including the use of Warning Notices and Interim Executive Boards (IEB) in maintained schools. The guidance is clear about the Government's expectation that academy status, with the support of a strong sponsor, is the best way of securing lasting improvement in these circumstances.

Local authorities' statutory responsibilities for educational excellence are set out in section 13a of the Education Act 1996. That duty states that a local authority must exercise its education functions with a view to promoting high standards. Local authorities are discharging this duty within the context of increasing autonomy and changing accountability for schools, alongside an expectation that improvement should be led by schools themselves.

Local authorities should raise any concerns they have about academy performance directly with the Department for Education.

Beyond this statutory guidance, local authorities have considerable freedom as to how they deliver their statutory responsibilities. The 2010 White Paper, *The Importance of Teaching*, set out the role of local authorities as champions of educational excellence.

Local authorities that champion educational excellence:

1. Understand the performance of maintained schools in their area, using data to identify those schools that require improvement and intervention.
2. Take swift and effective action when failure occurs in a maintained school, using Warning Notices and IEBs whenever necessary to get leadership and standards back up to at least "good".
3. Intervene early where the performance of a maintained school is declining, ensuring that schools secure the support needed to improve to at least "good".
4. Encourage good and outstanding maintained schools to take responsibility for their own improvement and to support other schools.
5. Build strong working relationships with education leaders in their area and encourage high calibre school leaders to support and challenge others.
6. Delegate funding to the frontline, so that as much as possible reaches pupils.
7. Enable maintained schools to purchase from a diverse market of excellent providers.
8. Signpost where schools can access appropriate support.

9. Secure strong leadership and governance for maintained schools that are not providing a good enough education, by identifying and supporting successful sponsors.
10. Seek to work constructively with academies and alert the Department for Education when they have concerns about standards or leadership in an academy.

## Section 2: Schools causing concern

Part 4 of, and Schedule 6 to, the 2006 Act set out that a (maintained) school is “eligible for intervention” where:

1. a warning notice has been given (section 60) with which the school has failed to comply or has failed to comply to the satisfaction of the local authority and the local authority have also given the governing body a written notice that they propose to exercise one or more of their powers under Part 4 of the 2006 Act;
2. teachers' pay and conditions warning notice has been given (section 60A)<sup>4</sup> with which the school has failed to comply and the local authority have also given written notice to the governing body that they propose to exercise one or more of their powers under Part 4 of the 2006 Act;
3. a school requires significant improvement (section 61); and,
4. a school requires special measures (section 62).

### 1. Schools eligible for intervention as a result of a warning notice

Warning notices should be used as an early form of intervention, particularly where standards are unacceptably low and other tools and strategies have not secured improvement.

A warning notice may be given by a local authority in one of three circumstances:

1. the standards of performance of pupils at the school are unacceptably low and are likely to remain so unless the authority exercise their powers under Part 4 of the 2006 Act; or,
2. there has been a serious breakdown in the way the school is managed or governed which is prejudicing, or likely to prejudice, such standards of performance; or,
3. the safety of pupils or staff at the school is threatened (whether by a breakdown of discipline or otherwise).

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<sup>4</sup> This guidance is not concerned with warning notices given under section 60A of the Education and Inspections Act 2006 but only those given under section 60 of the 2006 Act

## Low standards of performance

The definition of what constitutes “low standards of performance” is set out in section 60(3) of the 2006 Act. This is where they are low by reference to any one or more of the following:

- I. the standards that the pupils might in all the circumstances reasonably be expected to attain; or,
- II. where relevant, the standards previously attained by them; or,
- III. the standards attained by pupils at comparable schools.

For the purpose of this guidance, “unacceptably low standards of performance” includes: standards below the floor, on either attainment or progress of pupils<sup>5</sup>; low standards achieved by disadvantaged pupils; a sudden drop in performance; sustained historical underperformance, performance of pupils (including disadvantaged pupils) unacceptably low in relation to expected achievement or prior attainment, or performance of a school not meeting the expected standards of comparable schools<sup>6</sup>.

**In these situations the local authority should issue a warning notice unless there is a particular reason not to do so.** Local authorities are not limited to giving a warning notice only to those schools which are persistently below the floor.

There is a clear expectation that where the school has a history of sustained underperformance, conversion to an academy with a strong sponsor will be the normal route to secure improvement. The warning notice for such schools should make that expectation clear.

## Pupil Premium

Local authorities should also consider issuing a warning notice to schools that have not responded robustly or rapidly enough to a recommendation by Ofsted to commission an external review of the use and impact of the Pupil Premium. Such recommendations are normally made as part of Section 5 inspections in schools ‘requiring improvement’ where the standard of performance of disadvantaged pupils is judged to be unacceptably low.

Since it is a core function of governing bodies to create robust accountability for the educational performance of the school, failure to address such recommendations by Ofsted should be seen as an indication that the school is causing sufficient concern for the local authority to consider issuing a warning notice. Following the inspection, where no significant improvement is realised by the school within reasonable timeframes, local authorities should consider using their powers of intervention to stimulate and drive change.

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<sup>5</sup> This includes standards below the interim 16-19 minimum standards

<sup>6</sup> This includes when a school receives an Ofsted inadequate grade for its sixth form provision

Schools do not need to wait for an Ofsted inspection recommendation to seek an external review of the Pupil Premium. Local authorities may themselves consider issuing such a recommendation where they have concerns about the quality of a school's performance, before considering more formal intervention. Guidance is available from the National College for Teaching and Leadership on commissioning and conducting such external reviews.

### **Breakdown in the way the school is managed or governed**

Local authorities should provide tailored support or consider issuing a warning notice, depending on the severity of the case, to maintained schools where the governing body is failing to deliver one or more of its 3 core strategic roles resulting in a serious breakdown in the way the school is managed or governed.

The strategic role of a governing body is to:

1. Ensure clarity of vision, ethos and strategic direction;
2. Hold the headteacher to account for the educational performance of the school and its pupils, and the performance management of staff; and
3. Oversee the financial performance of the school and making sure its money is well spent.

Evidence that governors may be failing to deliver on one or more of these strategic roles could include: high governor turnover; a significant, unexplained change to the constitution; and/or the governing body having an excessive involvement in the day to day running of the school. These situations could all indicate a failure of governance that may prejudice standards and the local authority may want to investigate and intervene early by issuing a warning notice.

In the examples described above, a warning notice can be issued even if the school passes the "low standards of performance" test. Other options available to the local authority could include the use of a financial audit or seeking an external review of governance. If the governing body fails to act following the issue of a warning notice, the LA may then consider; co-opting of additional governors, withdrawal of financial delegation or the replacement of the governing body with an Interim Executive Board. Local authorities should raise any concerns about governance arrangements in academies with the Department for Education.

Local authorities should also consider issuing a warning notice to maintained schools that have not responded robustly or rapidly enough to a recommendation by Ofsted to commission a robust and objective external review of their governance arrangements. Such recommendations are normally made as part of Section 5 inspections in schools 'requiring improvement' where governance is judged to be weak.

Schools do not need to wait for an Ofsted inspection recommendation to seek an external review of their governance arrangements. Local authorities may themselves consider issuing such a recommendation where they have concerns about the quality of a maintained school's governance, before considering more formal intervention. Guidance is available from the National College for Teaching and Leadership on commissioning and conducting such external reviews.

## **Eligibility for Intervention**

A school is "eligible for intervention" and intervention powers may be exercised in the case where a warning notice has been given and the school has failed to comply or has not complied with the notice to the satisfaction of the local authority and where the local authority have also given the school written notice that they propose to exercise one or more of their powers under Part 4 of the 2006 Act.

## **2. Schools eligible for intervention as a result of having been judged as "requiring significant improvement" or "special measures"**

If, following an inspection under section 5 of the Education Act 2005, Ofsted judges a school to be inadequate for overall effectiveness (Grade 4), it will give a judgement that the school requires either "significant improvement" (described as a school with "serious weaknesses") or "special measures". Where a school is eligible for intervention by virtue of this judgement, it is not necessary for the local authority to give a warning notice to the school. If the school has already been given a warning notice by a local authority, a Grade 4 Ofsted judgement means the school is eligible for intervention whether or not the period of compliance in the warning notice has expired or the governing body has made representations or intend to make representations to Ofsted.

There is a clear expectation that in these cases, where the school has been judged by Ofsted to have "serious weaknesses" or require "special measures", conversion to an academy with a strong sponsor will be the normal route to secure improvement and that this is set out clearly in the local authority statement of action<sup>7</sup>.

Inspectors make a judgement on the fitness for purpose of local authorities' statements of action. From September 2012, this judgement is made at the first monitoring inspection of all schools judged to require "special measures" and those that have been judged to have "serious weaknesses". If the statement of action is judged to be not fit for purpose at the first monitoring inspection, a revised version must be made available to Her Majesty's Inspector (HMI) at the second monitoring inspection. HMI will judge whether the revised statement is fit for purpose and report accordingly.

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<sup>7</sup> See section 15 of the Education Act 2005 and Schedule 7 of the Education and Inspections Act 2006

## Section 3: Warning notices

Section 60 of the 2006 Act sets out the provisions relating to warning notices. A warning notice should be used where there is evidence to justify both the local authority's concerns and the school's reluctance or inability to address those concerns successfully within a reasonable time frame. Before deciding to give such a warning notice, local authorities must draw on a suitable range of quantitative and qualitative information to form a complete picture of a school's performance.

### 1. Giving a warning notice

When used effectively many local authorities have found that giving warning notices has had a positive impact on schools causing concern, often providing a catalyst for more focused and appropriate action from both the leadership team and the governing body. It is expected that local authorities will use these powers more frequently as part of their wider plans to accelerate improvements in standards.

A warning notice must be given in writing to the governing body of the school and must set out:

1. the matters on which the local authority's concerns are based. These should be set out in some detail and explain the facts that exist in that particular school and the circumstances which are giving the local authority cause for concern;
2. the action which the governing body is required to take in order to address the concerns raised;
3. the initial compliance period beginning with the day when the warning notice is given and ending 15 working days following that day, during which time the governing body is to address the concerns set out in the warning notice, or make representations to Ofsted against the warning notice; and,
4. the action which the local authority is minded to take (under one or more of sections 63 to 66 of the 2006 Act or otherwise) if the governing body does not take the required action.

In addition to giving the governing body a warning notice, the local authority must also give a copy to the head teacher; and in the case of a Church of England Church school or a Roman Catholic Church school, the appropriate diocesan authority; and in the case of a foundation or voluntary school, the person who appoints the foundation governors.

All warning notices must be copied to Ofsted at the same time using the email address: [warningnotices@ofsted.gov.uk](mailto:warningnotices@ofsted.gov.uk)



Where a warning notice has been given which has not been complied with to the satisfaction of the local authority within the compliance period, the local authority must also give the school reasonable notice in writing. Whilst what is reasonable will vary depending upon the circumstances, the expectation is that the local authority will notify the school that they propose to exercise one or more of their powers under Part 4 of the 2006 Act within two months from the end of the compliance period. When a school has failed to comply with a warning notice and the local authority have also given a further written notice, a school is eligible for intervention.<sup>8</sup>

## 2. Making representations against the warning notice

The warning notice must state that the governing body of a school can make representations in writing to Ofsted. The 2006 Act does not specify the grounds for making representations, but it could be that the school believes that the local authority have:

1. Given the warning notice without sufficient objective evidence
2. Proposed action that is disproportionate to the scale of the issues facing the school

The representations must be made in writing within 15 working days<sup>9</sup> of receipt of the warning notice. For the representations to be valid, they must be sent to [warningnotices@ofsted.gov.uk](mailto:warningnotices@ofsted.gov.uk) and *must* also be copied to the local authority.

Ofsted must consider any representations and may confirm the warning notice or not. This will usually be within a period of 10 working days after receipt of the representations, although this is not set out in legislation. Ofsted may ask either party to submit further evidence where this is felt to be insubstantial, prior to deciding on the representations.

If Ofsted confirms the warning notice, the school is eligible for intervention after 15 working days beginning with the day on which Ofsted confirms the warning notice.

Irrespective of whether the governing body have made representations to Ofsted, the Secretary of State may make a direction under section 496 and/or 497 of the Education Act 1996 pursuant to a complaint or otherwise. This enables the Secretary of State to make a direction, if expedient to do so, where he is satisfied that a local authority have acted, or are proposing to act, unreasonably with respect to the exercising of a power or performance of a duty under the 1996 Act, or certain other Acts which are read together with the 1996 Act (including the 2006 Act), or where the local authority have failed to discharge a duty.

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<sup>8</sup> See section 60(1)(e) of the Education and Inspections Act 2006

<sup>9</sup> Working day does include the school holidays. See the definition in section 60(10) of the Education and Inspections Act 2006.

### **3. Power of the Secretary of State to direct the local authority to consider giving and to give a warning notice**

The Secretary of State has the power to direct a local authority to first consider giving a warning notice in specified terms and then, to direct the local authority to give a warning notice in those terms where a local authority have decided not to do so.

A direction to give a warning notice in specified terms may be given if the Secretary of State thinks there are reasonable grounds for the local authority to do so and:

1. the local authority have not given a warning notice to the governing body; or
2. the local authority have given a warning notice, but in inadequate terms; or
3. the local authority have given a warning notice to the governing body but Ofsted have failed or declined to confirm it; or
4. the school has become eligible for intervention, but the period of two months following the end of the compliance period has ended<sup>10</sup>.

The local authority may then decide to give the warning notice to the governing body in the specified terms and must give the Secretary of State a written response to the direction confirming this within 10 working days beginning with the day on which the direction was given. They must then give a warning notice to the governing body within 5 working days from the day on which a response is given to the Secretary of State and, on the same day, give the Secretary of State a copy of the warning notice and send it to [warningnotices@ofsted.gov.uk](mailto:warningnotices@ofsted.gov.uk)

If the local authority decides not to comply with the direction, then they must respond to the Secretary of State within 10 working days<sup>11</sup> beginning with the day on which the direction was given setting out the reasons for that decision. If, having considered these reasons, the Secretary of State believes that a warning notice is still necessary then the local authority will be directed to give a warning notice in those specified terms. The local authority must then give this warning notice to the governing body within 5 working days beginning with the date when the direction is given.

Once this warning notice has been given, the school has 15 working days to comply with the terms of the warning notice or make representations to Ofsted as with any other warning notice given.

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<sup>10</sup> Note that the time period does not apply where the school is eligible for intervention by virtue of being judged to require special measures or significant improvement.

<sup>11</sup> The 2006 Act states that "working day" means a day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 (c.80) in England

The local authority must judge whether the school has complied with the terms of the warning notice. If the local authority concludes that the school has failed to comply with the warning notice and has also given written notice to the governing body that they propose to exercise one or more of their intervention powers, then it is “eligible for intervention” as set out in Part 4 of, and Schedule 6 to, the 2006 Act, and the intervention powers of the Secretary of State and the local authority may be exercised.

The Secretary of State may also request Ofsted to inspect and report on a school where there are serious concerns under provisions in the Education Act 2005.

## **Section 4: Local authorities' powers of intervention**

Where a school is eligible for intervention there are a number of powers the local authority or the Secretary of State may use to drive school improvement. These interventions are set out in sections 63-66 of the 2006 Act in respect of local authorities.

### **1. Power to suspend the delegated authority for the governing body to manage a school's budget**

Section 66 of the 2006 Act enables a local authority to suspend the governing body's right to a delegated budget by giving the governing body of the school notice in writing. This applies where a maintained school is eligible for intervention and the school has a delegated budget within the meaning of Part 2 of the School Standards and Framework Act 1998.

Local authorities are strongly recommended to withdraw delegation from all schools eligible for intervention at the time the intervention position is confirmed since doing so can secure local authority control over staffing and spending decisions in order to secure improvements. It may be best used, for example, where the governing body is providing insufficient challenge and support to the headteacher or senior management team of the school, or where management of the budget is providing a distraction from improvement priorities for governors.

A copy of the notice to suspend the right to a delegated budget must be given to the head teacher of the school and the governing body. If the local authority has appointed an IEB, during the period when the governing body is constituted as an IEB (the interim period) the local authority cannot suspend the school's right to a delegated budget.

#### **Timeframe**

Where a school is eligible for intervention as a result of being given a warning notice, this power must be exercised within a period of two months following the end of the compliance period. If the local authority fails to exercise this power within this time, it can no longer be exercised and a new warning notice must be given in order to do so. There is no requirement for the local authority to consult before exercising this power.

### **2. Power to appoint an Interim Executive Board (IEB)**

Section 65 of the 2006 Act enables the local authority to apply to the Secretary of State for consent to constitute the governing body as an IEB in accordance with Schedule 6 to the 2006 Act. An IEB can be used to accelerate improvement in standards and attainment and provide challenge to the leadership of the school to secure rapid

improvement or where there has been a serious breakdown of working relationships within the governing body of the school.

## Timeframe

This power may be exercised at any time a school is eligible for intervention and is not subject to the time limitation set out above in respect of other intervention powers.

## Consultation

Before the local authority can exercise this intervention power they must consult:

1. the governing body of the school;
2. in the case of a Church of England school or a Roman Catholic Church school, the appropriate diocesan authority; and,
3. in the case of any other foundation or voluntary school, the person or body by whom the foundation governors are appointed.

A fair consultation must be undertaken when proposals are at a formative stage and include sufficient detail to allow those consulted to give a considered response. The local authority may offer a meeting with the governing body as part of this consultation. A final decision should only be taken after consideration of any representations received. There is no statutory time scale in which the consultation process is to be completed and it is likely that this will vary depending on the circumstances in which the IEB is required. We would expect a normal consultation process to take about 10 (ten) days.

IEB applications should be made using the form on the DfE website<sup>12</sup> and should follow the guidance for the completion of an IEB application form.

After obtaining consent in writing from the Secretary of State, the local authority must write to the governing body to give them notice that the IEB will be established. This notice should specify a date when the IEB will commence and will usually also give a date when the IEB will cease but may not always.

## Delegated budget

An IEB has a right to a delegated budget. If the school's budget has previously been withdrawn from the governing body, then the local authority must restore the budget from the date when the IEB commences its work. If a notice has been given to the normally constituted governing body specifying a date when it is proposed to withdraw the right to

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<sup>12</sup> See the 'Further sources of information' section

a delegated budget, the notice will cease to be valid from the date of commencement of the IEB.

## **The role and duties of the IEB**

The IEB's main function is to secure a sound basis for future improvement in the school and this should include the promotion of high standards of educational achievement.

The IEB is the governing body of the school and any reference in the Education Acts to a governor or foundation governor has effect as a reference to an interim executive member. During the interim period, when the governing body is constituted as an IEB, the requirements concerning the governing bodies constitution set out in the School Governance (Constitution) (England) Regulations 2012 do not apply.

The IEB will take on the responsibilities of a normally constituted governing body, including the management of the budget, the curriculum, staffing, pay and performance management and the appointment of the headteacher and deputy headteacher. An IEB may recommend to a local authority, or recommend that the Secretary of State give a direction to a local authority, that a school should be closed. However, the IEB cannot itself publish proposals for closure. If, following the statutory consultation and other procedures, it is agreed that the school will be closed, the IEB should continue to hold office until the implementation date of the proposal. The IEB may also seek an academy order from the Secretary of State which enables the school to convert to an academy. Where a school has been found by Ofsted to be inadequate, the department is clear that academy status with a strong sponsor is the best way to bring about its rapid improvement. In these cases, we would expect the IEB to undertake its duties with a view to achieving this outcome.

## **Membership of the IEB**

As set out in Schedule 6 to the 2006 Act the number of interim executive members must not be less than two. Once the IEB has been established, further interim executive members can be appointed at any time. An IEB should be a small, focused group appointed for the full period which it is expected to take to turn the school around. Members of an IEB should be chosen on a case by case basis, depending on the needs of the school but should normally include individuals with financial skills and experience of transformational educational improvement. Where the school is underperforming and there is already an agreed sponsor, we would expect that the sponsor should be on the IEB. If a sponsor is agreed during the operation of the IEB we would expect that a sponsor representative would join the IEB at that point. Members of an IEB bring a fresh outlook to the governance arrangements of the school, marking a clear break from the previous management of the school. In most cases, therefore, we would not expect existing governors who are vacating office to be nominated as IEB members (although

this is not prohibited by the law). Local authorities who are considering doing this should contact the DfE to discuss the particular circumstances of the school.

The IEB may arrange for the discharge of their functions to other people as they see fit (under paragraph 11(2) of Schedule 6 to the of the 2006 Act). In this way the IEB could continue to benefit from the experience of existing governors and help engage future governors.

The local authority is able to nominate one of the members of the IEB to act as Chair.

Interim executive members may be removed in limited circumstances. This can be for incapacity or misbehaviour or where their written notice of appointment provides for termination by the appropriate authority on notice. The appropriate authority may be the local authority or the Secretary of State depending on who made the original appointment.

The local authority should produce a written notice of appointment for each member of the IEB. Copies of this notice should be sent to all other members of the IEB; the school's existing governing body; the Secretary of State; and, in the case of foundation or voluntary schools, the diocesan or other appropriate appointing authority. A local authority or the Secretary of State may choose to pay interim executive members such remuneration and allowances as is considered appropriate.

### **3. Power to appoint additional governors**

Section 64 enables a local authority to appoint additional governors where a school is eligible for intervention. The local authority is likely to appoint additional governors when they would like a school to be provided with additional expertise and may appoint as many additional governors as they think fit. In the case of a voluntary aided school where the local authority have exercised the power to appoint additional governors, the appropriate appointing authority in relation to that school may appoint an equal number of foundation governors to those appointed by the local authority, in order to preserve their majority.

#### **Timeframe**

Where the school is eligible for intervention as a result of being given a warning notice, this power must be exercised within a period of two months following the end of the compliance period. If the local authority fails to exercise this power within this time, it can no longer be exercised and a new warning notice must be given in order to do so. Where the local authority appoints additional governors there is no requirement to consult.

## **4. Power to require the governing body to enter into arrangements**

Section 63 enables a local authority to require a school which is eligible for intervention to enter into arrangements with a view to improving the performance of the school. The local authority may give the governing body a notice requiring them:

1. to enter into a contract or other arrangement for specified services of an advisory nature with a specified person (who may be the governing body of another school);
2. to make arrangements to collaborate with the governing body of another school;
3. to make arrangements to collaborate with a further education body; or,
4. to take specified steps for the purpose of creating or joining a federation.

### **Timeframe**

Where the school is eligible for intervention as a result of being given a warning notice, this power must be exercised within a period of two months following the end of the compliance period. If the local authority fails to exercise this power within this time, it can no longer be exercised and a new warning notice must be given in order to do so.

### **Consultation**

Before the local authority can exercise this intervention power they must consult:

1. the governing body of the school;
2. in the case of a Church of England school or a Roman Catholic Church school, the appropriate diocesan authority; and,
3. in the case of any other foundation or voluntary school, the person or body by whom the foundation governors are appointed.

A consultation must be undertaken when proposals are at a formative stage and include sufficient detail to allow those consulted to give a considered response. A final decision can only be taken after consideration has been given to any representations received. There is no statutory time scale in which the consultation process is to be completed. We would expect a normal consultation process to take about 10 (ten) days but this may vary depending on the circumstances of the case.



## Section 5: Secretary of State's powers of intervention

Where a school is eligible for intervention there are a number of powers the local authority or the Secretary of State may use to drive school improvement. These interventions are set out in sections 67 to 69 in respect of the Secretary of State<sup>13</sup>.

### 1. Power to appoint additional governors

Section 67 of the 2006 Act allows the Secretary of State to appoint additional governors at any time a maintained school is eligible for intervention; the Secretary of State may appoint any such number of additional governors as he sees fit.

Before making any appointment, the Secretary of State must consult:

1. the local authority;
2. the governing body of the school;
3. in the case of a Church of England school or a Roman Catholic Church school, the appropriate diocesan authority; and,
4. in the case of any other foundation or voluntary school, the person or body by whom the foundation governors are appointed.

The Secretary of State may pay any governor appointed such remuneration and allowances as is considered appropriate. Where the Secretary of State has exercised this power, the local authority may not exercise their power to suspend the governing body's right to a delegated budget. The legislation provides that a voluntary aided school is not authorised to appoint foundation governors for the purpose of outnumbering the other governors appointed by the Secretary of State.

### 2. Power to direct the closure of a school

The Secretary of State may direct a local authority to cease to maintain a school where that school is eligible for intervention other than by virtue of section 60A of the 2006 Act. (non-compliance with teachers pay and conditions).

This will usually be done where there is no prospect of the school making sufficient improvements. Before this power can be exercised the Secretary of State must consult<sup>14</sup>

1. the local authority and the governing body of the school;

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<sup>13</sup> Powers of intervention regarding Pupil Referral Units are included in the alternative provision statutory guidance: <https://www.gov.uk/government/publications/alternative-provision>

<sup>14</sup> See Section 68 of the Education and Inspections Act 2006

2. in the case of a Church of England school or a Roman Catholic Church school the appropriate diocesan authority;
3. in the case of any other foundation or voluntary school the person or body by whom the foundation governors are appointed; and
4. such other persons as the Secretary of State considers appropriate.

If the direction to close a school has been given, the local authority will be expected to meet any costs of terminating staff contracts and make appropriate arrangements for the pupils' continuing education, whether in a replacement school, or through transition to an alternative school.

### **3. Power to provide for the governing body to consist of interim executive members**

Under Section 69 of the 2006 Act the Secretary of State may require the governing body of a school to be constituted as an IEB in accordance with Schedule 6 to the 2006 Act where the school is eligible for intervention.

Before this power can be exercised the Secretary of State must consult<sup>15</sup>:

1. the local authority;
2. the governing body of the school;
3. in the case of a Church of England school or a Roman Catholic Church school, the appropriate diocesan authority; and,
4. in the case of any other foundation or voluntary school the person or body by whom the foundation governors are appointed.

This requirement to consult the bodies in 2, 3 and 4 above does not apply if the local authority has already done so in respect of their own proposal to appoint an IEB or if an academy order has effect in respect of the school.

### **4. Power to make an academy order**

Section 4 of the Academies Act 2010 permits the Secretary of State to make an academy order in two circumstances: firstly, on the application of a school's governing body; or secondly, if the school is eligible for intervention within the meaning of Part 4 of the 2006 Act.

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<sup>15</sup> See Section 69(2) of the Education and Inspections Act 2006

Before making an academy order in respect of a foundation or voluntary school with a foundation that is eligible for intervention, the Secretary of State must consult:

1. the trustees of the school;
2. the person and persons by whom the foundation governors are appointed; and,
3. in the case of a school which has a religious character, the appropriate religious body.

If an academy order is made in respect of a school, the Secretary of State must give a copy of the order to:

1. the governing body of the school;
2. the headteacher;
3. the local authority; and,
4. in the case of a foundation or voluntary school that has a foundation:
  - (I) the trustees of the school;
  - (II) the person and persons by whom the foundation governors are appointed; and,
  - (III) in the case of a school which has a religious character, the appropriate religious body.

If an academy order is made in respect of a school which has a Foundation holding the freehold or leasehold of publically funded land, the Secretary of State may direct the Foundation to transfer the relevant land and buildings to the academy provider<sup>16</sup>.

Under section 5 of the Academies Act 2010 before a maintained school can convert into an academy, the governing body must consult on the question of whether conversion should take place.

In the case of a school eligible for intervention under Part 4 of the 2006 Act, the consultation may be carried out by the governing body of the school (or an IEB where appointed) or the person with whom the Secretary of State proposes to enter into academy arrangements in respect of the school or an educational institution that replaces it.

The expectation is that a persistently underperforming school or a school that is in Ofsted category will become an academy. Any such academy would be a “sponsored” academy, meaning that the school would adopt governance arrangements, involving a strong external body (such as an organisation or a sponsoring school)., that will ensure that the school is supported in turning its performance around.

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<sup>16</sup> Education Act 2011 Schedule 14

The expectation would be that any strong school which was proposing to act as a sponsor would themselves also be an academy or willing to become an academy in order to take on the sponsorship role. Being an academy will allow the sponsoring school to use its academy freedoms to secure rapid improvement in both the school it is sponsoring, as well as its own school.

## Section 6: Governance

### Non statutory guidance relating to governance

Local authorities should take an active interest in the quality of governance in maintained schools. To prevent schools becoming “eligible for intervention” (as described in Section 2) local authorities should promote and support high standards of governance. To do so, they should be champions for high quality in school governance; help ensure that governors have the necessary skills; and have in place appropriate monitoring arrangements to identify signs of failure in relation to governors’ oversight of finance, safety or performance standards.

Local authorities should also be able to provide governors with high quality training that is necessary to prevent schools from becoming “eligible for intervention” or at least be able to signpost governors to such training. Section 22 of the Education Act 2002 and the Ofsted inspection framework of local authority school improvement arrangements places strong expectations on local authorities in relation to promoting and providing appropriate training programmes for governors. Local authorities should note that governing bodies have the power to suspend governors where they refuse to undertake necessary training.

Local authorities should have arrangements in place for maintaining records of governors in maintained schools. This can be used by the authority to aid communication with governors and provide for them to undertake any necessary due-diligence. Ideally, the records should also include schools registers of interests and enable identification of governors who sit on more than one governing body. Information held by the local authority should also be made available to the Department for Education upon request.

Where a local authority has concerns about governance within an academy in their area they should raise this with their local Regional Schools Commissioner or the EFA.

## Further sources of information

### Associated resources (external links)

- [The Academies Act 2010](#)
- [The Apprenticeships, Skills, Children and Learning Act 2009](#) (amended the 2006 Act) - makes provision for apprenticeships, education, training and children's services.
- [The Education and Inspections Act 2006](#)
- [The Education Act 2011](#) (amended the 2006 Act and also the 2010 Academies Act in respect of land transfers to academies. Schedule 14 applies)
- [Education Act 2002 Schedule 2](#) Effect on Staffing on suspension of delegated budget
- [School Governance \(Transition from an Interim Executive Board\) \(England\) Regulations 2010](#) – you can download the School Governance Regulations 2010 from the Opsi website
- [The School Governance \(Role, Procedures and Allowances\) \(England\) Regulations 2013](#) – associated departmental guidance can be found [here](#).
- [The School Standards and Framework Act 1998](#) - contains provisions for schools and nursery education. This covers further education for young people at school, and in FE institutions across the UK.
- [Ofsted: monitoring inspections for maintained schools and academies - information about the types of monitoring inspections carried out under section 8 of the Education Act 2005.](#)
- [The framework for the inspection of local authority arrangements for supporting school improvement](#)

### Other departmental resources

- [Working Together to Safeguard Children](#) statutory guidance
- [Keeping Children Safe in Education](#) statutory guidance
- [Interim Executive Board application form](#) and guidance
- [Performance tables – user guide and resources \(includes progress measures\)](#)



Department  
for Education

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**Report for:** Corporate Committee – 26 November 2015

**Item number:**

**Title:** Internal Audit Progress Report 2015/16 – Quarter 2

**Report authorised by :** Assistant Director of Corporate Governance

**Lead Officer:** Anne Woods, Head of Audit and Risk Management  
Tel: 020 8489 5973  
Email: [anne.woods@haringey.gov.uk](mailto:anne.woods@haringey.gov.uk)

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

**Report for Key/  
Non Key Decision: Information**

**1. Describe the issue under consideration**

- 1.1 This report details the work undertaken by the Internal Audit and Counter Fraud Teams in the quarter ending 30 September 2015 and focuses on:
- Progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised – work undertaken by the external provider (Mazars); and
  - Progress by management in implementing outstanding internal audit recommendations; with particular attention given to priority 1 recommendations; and
  - Details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities – work undertaken by the in-house counter Fraud Team.

**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.

**4. Reasons for decision**

- 4.1 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.
- 4.2 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 2015/16 annual audit plan, together with the responsive and pro-active fraud investigation work. Where further action is required or recommended, this is highlighted with appropriate recommendations for the Corporate Committee.

**5. Alternative options considered**

5.1 Not applicable.

**6. Background information**

6.1 The information in this report has been compiled from information held within Audit & Risk Management and from records held by Mazars.

**7. Contribution to strategic outcomes**

7.1 The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

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

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The work completed by Mazars is part of the framework contract which was awarded to the London Borough of Croydon and extended to 31 March 2016, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

The financial benefits to the Council of the work completed during 2015/16 as part of the ongoing tenancy fraud project will be realised as properties are recovered and returned to the Council's portfolio. The Cabinet Office estimates that the costs of fraudulent tenancies and unauthorised sub-letting equate to £18k per annum per property, mainly relating to additional costs for temporary accommodation.

Preventing fraudulent Right to Buy applications ensures that properties are retained within the social housing stock and discounts of up to £102k per property are not allocated to those who are not entitled to receive them.

8.2 Legal

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

8.3 Equality

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; preventing and detecting fraud will assist in improving services to residents.

**9. Use of Appendices**

Appendix A – Mazars Progress report – Internal audit

Appendix B – In-house Team – investigations into financial irregularities

**10. Local Government (Access to Information) Act 1985**

Not applicable

## 11. Performance Management Information

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

**Table 1**

Ref.	Performance Indicator	2 <sup>nd</sup> Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	98%	20%	95%
2	Priority 1 recommendations implemented at follow up	N/A	N/A*	95%
4	Tenancy fraud – properties recovered	10	17	40
5	Right to Buy – fraudulent applications prevented	15	49	80

\* Follow up programme will commence in Qtr 3.

## 13. Internal Audit work – Mazars

- 13.1 The activity of Mazars for the second quarter of 2015/16 to date is detailed at Appendix A. Mazars planned to deliver 100 days of the annual audit plan (788 days) during the quarter and actually delivered 98 days audit work during the quarter. Although the overall completion rate of the plan is below expected at this stage of the year, this position is expected to improve as the majority of the work was planned to take place in quarters 3 and 4. No issues have been identified to prevent completion of the plan. 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 concerns which members may have to be considered in a timely manner. Appendix A provides a list of all final reports which have been issued during the quarter.
- 13.3 Mazars plan to start the formal follow up audit programme in quarter 3 and the outcomes of this programme will be reported to the next meeting of the Corporate Committee.

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

### 14.1 Internal employee investigations

In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees. Appendix B details the individual cases that were completed by the team in the second quarter 2015/16 relating to Council employees.

Within the second quarter, three new cases relating to permanent and temporary employees were referred to the Fraud Team. Four cases were completed during the quarter involving permanent Council employees. In all cases closed in Quarter 2, no evidence was found to substantiate the allegations made, although recommendations were made to improve controls in service areas to minimise risks in future. The Fraud

Team work closely with officers from HR and the service area involved to ensure that the investigation is completed as quickly as possible.

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. During the second quarter, three whistle blowing referrals were made, two of which were anonymous. Two referrals related to non-financial issues and were referred to the relevant Assistant Directors and HR for their investigation. One investigation was referred to the Fraud Team by a union official in respect of an allegation of irregular recruitment practices. The Fraud Team completed an investigation and no evidence was found to substantiate the allegation; details of the investigation and the outcomes were provided to the union official in accordance with the Council's policy.

#### 14.2 Tenancy Fraud – council properties

In 2015/16, the numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below.

##### **2015/16 – Referrals received**

Brought forward from 2014/15		<b>61</b>
2014/15 cases not previously included		<b>31</b>
Tenancy Management Officer	<b>33</b>	
Fraudcall	<b>8</b>	
Public	<b>1</b>	
Other LA	<b>1</b>	
Other Haringey Service	<b>10</b>	
Total referrals received in 2015/16 to date		<b>53</b>
<b>Total referrals received for investigation</b>		<b>145</b>

##### **2015/16 Outcomes**

<b>Properties Recovered</b>	<b>17</b>	
No Fraud identified	<b>40</b>	
Total cases investigated		<b>57</b>
Ongoing Investigations		<b>88*</b>
<b>*See Note 1 below</b>		

**Note 1:** Of the 88 ongoing investigations; **22** of these cases (25%) are with Legal Services and progressing towards tenancy recovery. The property will be included in the 'recovered' data when the keys are returned and the property vacated. The Fraud Team are liaising with Legal Services on individual cases to ensure these are progressed as quickly as possible.

##### **Financial Values 2015/16 (to date)**

The Audit Commission valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, mainly relating to average Temporary Accommodation (TA) costs.

No new national indicators have been produced, therefore although this value is considered low compared to potential TA costs if the property has been identified as sub-let for several years, Audit and Risk Management continue to use this figure of £18k per property for reporting purposes.

In 2015/16 to date, 17 properties have been recovered through the actions and investigations of the Fraud Team; therefore a total value of **£306k** can be attributed to the recovery, or cessation, of fraudulent tenancies.

The Fraud Team works with Homes for Haringey (HfH) to target and investigate housing and tenancy fraud, which forms part of HfH's responsibilities in the Management Agreement. The DCLG provided funding to local authorities to support tenancy fraud work and Haringey agreed with HfH that they would second a Tenancy Management Officer to the Fraud Team (with the DCLG grant paid to HfH to enable cover for the TMO to be obtained) to undertake reactive tenancy fraud investigations. This grant funding ended in May 2015, with no further grant funding available from the DCLG or other sources.

HfH have continued to fund the seconded officer directly after the end of the DCLG grant, and this agreement has been extended to 31 December 2015. The Fraud Team will continue to work with HfH to identify the most effective use of fraud prevention and detection resources across both organisations to enable a joined up approach to be taken, especially where cases of multiple fraud are identified e.g. tenancy fraud, right to buy fraud and benefit fraud. The longer term solution for tenancy fraud prevention and detection, including investigation resources, will be developed during 2015/16.

#### **14.4 Right-to-buy (RTB) applications**

To date, over 100 applications have been referred to the Fraud Team in 2015/16; and the team currently has approximately 255 ongoing applications under investigation. The team reviews every RTB application to ensure that any property where potential benefit or succession fraud is indicated can be investigated further.

In 2015/16 to date, **49** applications have been withdrawn or refused either following the applicants' interview with the Fraud Team, further investigations and/or the requirement to complete money laundering processes; 11 applications have been cleared for progression; and 255 applications are currently under investigation.

Overall, the 49 cases represents over **£4.9m** in RTB discounts and means the properties are retained for social housing use.

In Quarter 2, the Fraud Team signed an Information Sharing Agreement (ISA) with a national fraud prevention agency which is supported by all banks and other financial institutions. The ISA will enable the Team to provide intelligence reports to the agency in order to identify and prevent potential fraud.

The Fraud Team were also invited to present details of our approach to preventing Right to Buy fraud at the Council of Mortgage Lenders annual conference. Feedback from the conference has been very positive, with the Team gaining additional contacts from organisations' fraud teams to assist with future cases.

#### **14.5 Single Fraud Investigation Service (SFIS) update**

Housing Benefit investigations transferred to the DWP's Single Fraud Investigation Service (SFIS) on 1 August 2015. A final total of 26 cases which only related to benefit fraud were transferred to SFIS. The HB Processing Team act as the single point of

contact for any referrals to/from the DWP; and the Fraud Team liaise regularly with the Processing Team to review any potential fraud cases that may have wider tenancy, or RTB implications.

The Fraud Team are liaising with the local DWP SFIS team on a regular basis and any cases which have links to other frauds e.g. tenancy, right to buy would be pursued as a joint investigation. There have been no new joint investigation cases started since 1 August 2015.

#### **14.6 Fraud/Data Sharing Hubs**

The Fraud Team are one of a small group of London authorities assisting the Chartered Institute of Public Finance and Accountancy (CIPFA) with the development of their data sharing information hub. The intention is to develop the information hub to support counter-fraud data matching processes for all local authorities across the country and to provide a 'real time' approach to data matching and opportunities for local authorities to undertake targeted counter-fraud data searches. The work has started in Quarter 2, with the expectation that the data sharing platform will be operational in 2016/17.

The Fraud Team have also signed the data sharing agreement with the Call Credit fraud hub to enable the Council's housing waiting list and tenancy data to be cross matched with 15 other London authorities. The tenancy review information, which matches our tenants' information with Call Credit's financial credit check information and highlights potential duplicate tenancies, or those with a high likelihood of sub-letting, should be returned during November for review by the Fraud Team.

We have also requested Call Credit to review the potential to data match our own internal data sets, at no costs, while we develop our existing fraud database with Civica. This work will be developed during November and December.

**Internal Audit**  
**Quarter 2 Internal Audit Report**  
**2015/16**  
**London Borough of Haringey**

Mazars Public Sector Internal Audit Ltd.  
October 2015

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## **Executive Summary**

### **Introduction**

This is our second quarter report to the Corporate Committee for the 2015/16 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:

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

### **Key Highlights/Summary of Quarter 2 2015/16:**

#### **2015/16 Internal Audits finalised in the quarter:**

- Campsbourne School;
- Coleridge School

#### **2015/16 Internal Audits drafts issued in the quarter:**

- IMPULSE Application Review (IT audit)
- Whistleblowing

**Follow Up of Prior Years' Recommendations**

- Follow up of our 2014/15 reports will commence in Quarter 3.

**Audit Progress and Detailed Summaries**

As part of the 2015/16 Internal Audit Plan we have visited the following schools, completed a probity audit and during Quarter 2 issued a final report.

School	Date of Audit	Date of Final Report	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
Campsbourne Primary School	July 15	1.10.15	Substantial	0	5	3
Coleridge Primary School	June'15	24.09.15	Substantial	0	7	2

**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 work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. 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 us 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. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our 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 work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

**Mazars Public Sector Internal Audit Limited****London****September 2015**

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## IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/03/15- 31/03/16

<b>Service Area</b>	<b>Irregularity Type</b>	<b>No. of cases investigated</b>	<b>No. of cases proven at 30/09/16</b>	<b>No. of Officers subject to Disciplinary Investigation</b>	<b>Disciplinary Outcome</b>	<b>Value (£) (if known)</b>
<b>Children &amp; Young People's Service</b>	Alleged misuse of position	1	1	1	Employee Resigned	
<b>Chief Operating Officer</b>	Alleged Misuse of Blue Badge	1	1	1	Employee Resigned	
<b>Chief Operating Officer</b>	Alleged misuse of position	1	1	0	Employee Resigned (agency)	
<b>Chief Operating Officer</b>	Allegation of theft of kitchen stock	1	0	0	N/A	
<b>Chief Operating Officer</b>	Allegation of flexitime abuse	1	0	0	N/A	
<b>Chief Operating Officer</b>	Allegation of running business from desk	1	0	0	N/A	
<b>Regeneration, Planning &amp; Development</b>	Allegation of bribery	1	0	0	N/A	
<b>TOTAL</b>		<b>7</b>	<b>3</b>	<b>2</b>		

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**Report for:** Corporate Committee 26<sup>th</sup> November 2015

**Item number:** 9

**Title:** Treasury Management September 2015 mid year Activity & Performance update

**Report authorised by :** Tracie Evans, Chief Operating Officer (CFO)

**Lead Officer:** George Bruce, Head of Finance – Treasury & Pensions  
[George.bruce@haringey.gov.uk](mailto:George.bruce@haringey.gov.uk)  
020 8489 3726

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

**Report for Key/  
Non Key Decision:** 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 six months to 30<sup>th</sup> September 2015 in accordance with the CIPFA Treasury Management Code of Practice. It is a requirement of the Code for the report also to be considered by Council. A first draft of the proposed investment strategy for 2016-17 is also discussed.

## 2. Cabinet Member Introduction

- 2.1 Not applicable.

## 3. Recommendations

- 3.1 That members' note:
- a) the Treasury Management activity undertaken during the six months to 30<sup>th</sup> September 2015 and the performance achieved, and
  - b) the investment strategy for 2016-17 to be incorporated into the Treasury Management Strategy Statement

## 4. Other options considered

- 4.1 None.

## 5. Background information

### Mid year review

- 5.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement. CIPFA has defined Treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 5.2 The Code recommends that members are informed of treasury management activities at least twice a year. Formulation of treasury policy, strategy and activity is delegated to the Corporate Committee and this Committee receives reports quarterly.
- 5.3 However, overall responsibility for treasury management remains with the Council and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2015/16 on 23<sup>rd</sup> February 2015. The Corporate Committee is responsible for monitoring treasury management activity and this is achieved through the receipt of quarterly reports. **Appendix 1** is the 2<sup>nd</sup> quarterly monitoring report for 2015/16.
- 5.4 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. However, no treasury activity is without risk and the effective identification and management of risk are integral to the Council's treasury management activities.

- 5.5 The quarterly reports during 2015/16 are structured to cover borrowing first and then investments according to these factors, so that members can see how they are being addressed operationally.

### Investment Strategy 2016-17

- 5.6 Corporate Committee is responsible for formulating the Council's treasury strategy, which it does so annually in the form of a Treasury Management Strategy Statement (TMSS). The TMSS is agreed at the January meeting and after scrutiny is approved by Full Council. The TMSS contains two main elements, the borrowing and investment strategies.
- 5.7 At the current time capital plans for 2016-17 and beyond are being developed and it is too early to present a borrowing strategy for 2016-17 and beyond.



- 5.8 However, in consultation with the Council's treasury advisors, the investment strategy has been updated and the proposed changes are included for discussion prior to inclusion in the TMSS.
- 5.9 The main consideration behind the revised investment strategy is the insistence of Governments that deposits from local authorities and financial institutions will be used to support banks at risk of failure. Known as bail in risk, this process will increase losses in the event of a bank failing or being at risk of failure. To counter this risk, the revised strategy (**appendix 2**) incorporates the following changed from the current TMSS:
- Inclusion of four highly rated supra-national banks and increased number of overseas banks all with high (AA- or better) credit ratings.
  - Recorded covered (secured) deposits as a separate category of investments.
  - Reduced the maximum unsecured deposit with weakly rated banks from £20 million to £5 million per counterparty.
- 5.10 The above changes will result in a more diversified portfolio of investments, with less reliance on weaker UK banks. The Council has commenced using certificates of deposits to invest, which allows a wider range of counterparties.
- 5.11 The proposed changed will be implemented gradually. The expectation is that cash balances will be minimised and the investment portfolio will continue to rely heavily on UK government deposits and money market funds.
- 5.12 Should the Committee be content with the revised investment strategy, it will be incorporated into the TMSS that will be discussed at the January meeting.
- 5.13 Should the Committee wish, a training session will be provided in advance of the January meeting.

## **6. Comments of the Chief Financial Officer and financial implications**

- 6.1 Interest rates earned on investments remain low and significantly less than the cost of new borrowing and therefore the strategy of minimising cash balances is continuing in 2015-16. Borrowing will be taken only when required for liquidity purposes with the preference being short term local authorities loans at very low rates on short term bases. However longer term interest rates continue to be carefully monitored. The ability to take advantage of low interest rates in this way has resulted in anticipated saving on the treasury management budget.
- 6.2 The risk of bank deposits being bailed in to support failing banks has reduced the attractiveness of these types of deposits. Ensuring that security lies at the heart of the investment strategy supports greater diversification and using stronger overseas banks and secured / covered deposits.

**7. Head of Legal Services and Legal Implications**

- 7.1 The Council must make arrangements for the proper administration of its financial affairs and its power of borrowing is set out in legislations.
- 7.2 The Council is required to determine and keep under review its borrowing and in complying with this requirement it must have regard to the code of practice entitled the “Prudential Code for Capital Finance in Local Authorities” as published by CIPFA from time to time. In addition, the Council adopted the CIPFA Treasury Management Code of Practice in May 2002.
- 7.3 As mentioned in this report the Code of Practice requires the Council to agree a Treasury Management Strategy Statement (TMSS) (including an Investment Strategy).
- 7.4 Members should note the proposed changes to the investment strategy in particular the matters referred to in paragraph 5.9 of this report.

**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: Mid Year Treasury Report
- 11.2 Appendix 2: Investment Strategy 2016-17

**12. Local Government (Access to Information) Act 1985**

- 12.1 Not applicable.

## Haringey Council Mid - Year Treasury Report 2015/16

### Appendix 1

#### 1. Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report covers the six months to September 2015.

The Authority's Treasury Management Strategy for 2015/16 was approved by full Council on 23 February 2015.

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

#### 2. External Context

As the year began, economic data was largely overshadowed by events in Greece. Markets' attention centered on the never-ending Greek issue, running the serious risk of a disorderly exit from the Euro. Following a July European Union Summit, it was announced that the terms for a third bailout of Greece had been reached, which was subsequently endorsed when the ruling party was returned to power in a snap election.

The summer also saw attention shift towards China as the Shanghai composite index (representing China's main stock market), which had risen a staggering 50%+ since the beginning of 2015, dropped by 43% in less than three months on the back of concerns over growth. The People's Bank of China allowed an aggressive devaluation of the currency. This sent jitters through Asian, European and US markets impacting currencies, equities, commodities, oil and metals. On 24<sup>th</sup> August, Chinese stocks suffered their steepest one-day fall on record, driving down other equity markets around the world and soon becoming known as another 'Black Monday'. Chinese stocks have recovered marginally since and are trading around the same level as the start of the year. Concerns remain about slowing growth and potential deflationary effects.

**UK Economy:** The economy has remained resilient over the last six months. First estimates of Q3 2015 GDP growth is 0.5%, with year/year growth showing slight signs of slowing, decreasing to 2.3%. GDP has now increased for eleven consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) turned negative in April, falling to -0.1%, before subsequently fluctuating between -0.1% and 0.1%. In the August Quarterly Inflation Report, the Bank of England projected that GDP growth will continue around its average rate since 2013. The Bank of England's projections expect inflation to gradually increase to around 2% over the next 18 months and then remain there in the near future. Further improvement in the labour market saw the ILO unemployment rate for the three months to September fall to 5.3%. In the October report, average earnings excluding bonuses for the three months to August rose 3.0% year/year.

US GDP increased 1.5 percent in the third quarter, after increasing 3.9 percent in the second. The deceleration in real GDP in the third quarter primarily reflected a downturn in private inventory investment and decelerations in exports, in non residential fixed investment and in state and local government spending. With the Fed's decision on US interest rate dependent upon data, GDP is providing mixed signals. The Fed is keen to see inflation rise alongside its headline economic

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growth and also its labour markets. The Committee decided not to act at its October meeting as many had been anticipating but it remains possible that rates will rise before the end of the year.

**Market reaction:** Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. China led stock market turmoil around the globe in August, with the FTSE 100 falling by around 8% overnight. Indices have not recovered to their previous levels but some improvement has been seen. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Concerns around China saw bond yields dropping again through August and September. Bond markets were also distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory.

**3 Local Context**

At 31/3/2015 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £549 million, while usable reserves and working capital which are the underlying resources available for investment were £263m.

At 31/3/2015, the Authority had £342 million of borrowing and £35m of investments. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a sufficient cash balances to provide liquidity for day-to-day expenditure

The Authority has an increasing CFR over the next 3 years due to the capital programme, but minimal investments and will therefore is projected to borrow up to £99 million over the forecast period.

**4 Borrowing Strategy**

At 30/9/2015 the Authority held £289 million of loans, a decrease of £5 million on 31/3/2015), as part of its strategy for funding previous years' capital programmes. In addition there are PFI / leasing liabilities of £53 million.

The treasury strategy for 2015-16 projected an additional borrowing requirement of £43 million in the year to fund the capital programme. No additional debt has been required to date and it may be that delays to planned expenditure mean that any borrowing is significantly lower than was initially projected. Current capital plans estimate debt funded capital expenditure of £38 million in 2015-16.

The Authority's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower

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than the cost of borrowing. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources and were necessary short-term local authority loans to provide liquidity.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis. Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, has remained affordable and attractive.

**Borrowing Activity in 2015/16**

	Balance on 01/04/2015 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 30/09/2015 £m	Avg Rate % and Avg Life (yrs)
CFR	549,387				N/A	
Short Term Borrowing <sup>1</sup>	0					
Long Term Borrowing	294,065	-5,325			288,740	30.2
<b>TOTAL BORROWING</b>	294,665	-5,325			288,740	
Other Long Term Liabilities	48,218				47,213	
<b>TOTAL EXTERNAL DEBT</b>	342,883				335,953	
Increase/ (Decrease) in Borrowing £m					-6,930	

**PWLB Certainty Rate and Project Rate Update:** The Authority qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2014. In April the Authority submitted its application to the CLG along with the 2015/16 Capital Estimates Return to access this reduced rate for a further 12 month period from 01/11/2015.

**LOBOs:** The Authority holds £125 million of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS had options during the quarter, none of which were exercised by the lender. The Authority acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

**Debt Rescheduling:**

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

<sup>1</sup> Loans with maturities less than 1 year.

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Changes in the debt portfolio over the quarter have achieved an annualised reduction in the overall debt cost of £447,000. The average rate of interest on debt fell marginally from 5.34% to 5.29% whilst there was a 0.1 year increase in the average life to 30.2 years.

**5 Investment Activity**

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Cashflow forecasts indicated that during 2015/16 the Authority's investment balances would range between £10 million and £77 million.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

**Investment Activity in 2015/16**

Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/09/2015 £m	Avg Rate/Yield (%) and Avg Life years)
Short term Investments (call accounts, deposits) - Banks and Building Societies with ratings of A- or higher - Local Authorities	6,840	87,935	-69,472	25,303	0.50%/ 31 days
Long term Investments - Banks and Building Societies with ratings of A- or higher - Local Authorities					
UK Government: - DMADF - Treasury Bills - Gilts	12,200	594,700	-606,900	0	
Money Market Funds	16,190	102,365	-96,055	22,500	0.38%/ 1 day
Other Pooled Funds (VNAV funds) Cash Plus funds		5,000		5,000	0.65%/ 4 days
<b>TOTAL INVESTMENTS</b>	35,230	790,000	-772,427	52,803	0.46%/ 16days
Increase/ (Decrease) in Investments £m				17,573	

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and

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Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

The first investment into an enhanced cash fund was made in September; £5 million with the Insight Liquidity Plus Fund. This fund is AAA rated (same as money market funds), invests in similar types of securities and counterparties, but has a longer average maturity (60 days) compared with money market funds (49 days) and as a consequence a higher income yield of 0.96% compared with money market 0.43%.

Since the September 2015 we have made our first investments into tradable instruments buying £5 million of 3 month UK Government treasury bills yielding 0.43% (an improvement over the 0.25% DMO rate) and £3 million of Standard Chartered Bank 5 month CDs yielding 0.66%. These offer yield pick up with the ability to sell before maturity thereby enhancing liquidity.

### 6 Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating
31/03/2015	3.57	AA-	2.70	AA
30/06/2015	4.39	AA-	5.60	A
31/10/2015	4.02	AA-	3.55	AA-
Target	3-5	AA to A+	3-5	AA to A+

Scoring:

- Value weighted average reflects the credit quality of investments according to the size of the deposit
- Time weighted average reflects the credit quality of investments according to the maturity of the deposit
- AAA = highest credit quality = 1
- D = lowest credit quality = 26

The Council target score of 3-5 emphasises the desire to minimise credit risk. The maximum score compares with Arlingclose suggestion of 7 (equivalent to A-). The investment portfolio is within the target range at the end of October following the introduction of treasury bills and a Standard Chartered CD.

### 7 Counterparty Update

All three credit ratings agencies have reviewed their ratings in the six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions have seen upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Changes in credit rating during the six months and subsequently impacting the Council's counterparty credit ratings are:

Fitch - upgraded Lloyds Banking Group from A to A+



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Moody's - upgraded Standard Chartered to AA2 (from A+), HSBC to AA2 (from AA3), Coventry BS to A2 (from A3), Nationwide BS to A1 (from A2) and Svenska Handelsbanken to AA2 (from AA3).

S&P - downgraded downgrading Barclays to A- (from A).

Apart from Barclays, the changes in long term ratings have been positive. Barclays remains within our accepted minimum credit quality of A- and we continue to utilise for overnight (but not longer) deposits.

At the end of July, the council's treasury advisors Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. The Council has retained the maximum maturities set out in the strategy.

**8 Budgeted Income and Outturn**

The average cash balances were £65 million during the half year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels. Investments earned an average rate of 0.42% (£136,000).

**9 Update on Investments with Icelandic Banks**

A further Heritable distribution of £792,000 was received during August, bringing total recoveries into the Council's bank account from the Icelandic banks of £35.6m out of the original £36.9m invested, which is a 96% recovery. Further distributions from Heritable (£0.3m outstanding) are likely. The Glitnir escrow account has a balance of approximately £0.4 million locked in an Icelandic Krona account due to exchange control restrictions, which will eventually be lifted allowing the funds to be converted to sterling. Eventual recoveries of 98% are estimated.

**10 Compliance with Prudential Indicators**

The Authority confirms compliance with its Prudential Indicators for 2015/16, which were set in 23 February 2015 as part of the Authority's Treasury Management Strategy Statement.

**11 Treasury Management Indicators**

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**12 Investment Training**

Training was provided to members of the Corporate Committee and Overview & Scrutiny in January 2015.



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## Annex 1: Summary of Treasury Management Activity and Performance

1. Treasury Portfolio

	Position March 2015 £'000	Position September 2015 £'000
Long Term Borrowing PWLB	169,065	163,740
Long Term Borrowing Market	125,000	125,000
Short Term Borrowing		0
<b>Total Borrowing</b>	<b>294,065</b>	<b>288,740</b>
Investments: Council	35,230	52,803
Investments: Icelandic deposits in default	2,177	1,385
<b>Total Investments</b>	<b>37,407</b>	<b>54,188</b>
<b>Net Borrowing position</b>	<b>256,658</b>	<b>234,552</b>

3. Security measure

	March 2015	October 2015
Credit score - Value weighted	3.57	4.02
Credit score - Time weighted	4.95	3.55

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

4. Liquidity measure

	March 2015	September 2015
Weighted average maturity - deposits (days)	1.9	16
Weighted average maturity - borrowing (years)	30.1	30.2

5. Yield measure

	March 2015	September 2015
Interest rate earned	0.36	0.46
Interest rate payable	5.33	5.29

Haringey Council Mid - Year Treasury Report 2015/16**Annex 2: Prudential Indicators**

The Prudential indicators are designed to demonstrate the affordability of current and forecast borrowing. There is no 'correct' value in each table and the trend is at least as important as the absolute numbers. Debt is used to finance the capital programme and each decision to incur capital expenditure will consider how it is to be funded.

	Prudential Indicator	2015/16 Original Indicator	Forecast as at 30 Sept 2015
<b>CAPITAL INDICATORS</b>			
1	Capital Expenditure	£'000	£'000
	General Fund	54,568	54,568
	HRA	92,074	92,074
	<b>TOTAL</b>	<b>146,642</b>	<b>146,642</b>

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and in particular, to consider the impact on tax and housing rent levels. Capital expenditure projections remain in line with the strategy.

2	Ratio of financing costs to net revenue stream	2015/16 Original Indicator	Forecast as at 30 Sept 2015
	General Fund	1.90%	1.88%
	HRA	9.28%	9.02%

This 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 financing costs, net of investment income. The indicators show that interest costs have used a marginally lower proportion of council income than initially projected.

3	Capital Financing Requirement	2015/16 Original Indicator	Forecast as at 30 Sept 2015
	General Fund	297,121	290,651
	HRA	292,666	292,666
	<b>TOTAL</b>	<b>589,787</b>	<b>583,317</b>

The above is the maximum external borrowing requirement representing the remaining cost of capital expenditure. The out-turn is in line with the start of year projections.

4	Incremental impact of capital investment decisions	2015/16 Original Indicator	Forecast as at 30 Sept 2015
	Band D Council Tax	34.03	32.99
	Weekly Housing rents	2.27	2.11

This is an indicator of affordability and shows the impact of capital investment decisions on Council tax and housing rent levels. Both indicators are a little better than originally projected due to lower financing costs.

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No.	Prudential Indicator	2015/16 Original Indicator	Position / forecast September 2015
5	Borrowing Limits	£k	£k
	Authorised Limit / actual debt	503,532	341,740
	Operational Boundary/actual debt	447,867	341,740
NB: the June position includes PFI & leases of £53.0m			

The operational boundary for external debt is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

6	HRA Debt Cap	£k	£k
	Headroom	44,235	44,235

HRA headroom is the capacity for additional debt funded HRA capital expenditure.

7	Gross debt compared to CFR	£k	£k
	Gross debt	342,283	343,047
	CFR	549,387	549,387

The Council is permitted to borrow for capital projects. The difference between CFR and gross debt is a measure of the use of internal borrowing to fund capital expenditure.

8	Upper limit - fixed rate exposure	100%	98%
	Upper limit - variable rate	40%	2%

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of principal borrowed. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate. Debt is almost entirely fixed rate which protects against the impact of changes in market rates.

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9	Maturity structure of borrowing (U: upper, L: lower)	L	U	Mar-16
	under 12 months	0%	40%	4.7%
	12 months & within 2 years	0%	35%	8.0%
	2 years & within 5 years	0%	35%	6.7%
	5 years & within 10 years	0%	35%	11.1%
	10 yrs & within 20 yrs	0%	35%	4.2%
	20 yrs & within 30 yrs	0%	35%	3.5%
	30 yrs & within 40 yrs	0%	35%	26.0%
	40 yrs & within 50 yrs	0%	50%	9.5%
50 yrs & above	0%	50%	26.2%	

This indicator is set to control the Authority's exposure to refinancing risk. The table is based on the contractual final maturity of debt. It indicates a diverse maturity profile.

10	<b>LOBO Adjusted</b> Maturity structure of borrowing (U: upper, L: lower)	L	U	Mar-16
	under 12 months	0%	40%	48.4%
	12 months & within 2 years	0%	35%	8.0%
	2 years & within 5 years	0%	35%	6.7%
	5 years & within 10 years	0%	35%	11.1%
	10 yrs & within 20 yrs	0%	35%	4.2%
	20 yrs & within 30 yrs	0%	35%	0.0%
	30 yrs & within 40 yrs	0%	35%	12.0%
	40 yrs & within 50 yrs	0%	50%	9.5%
50 yrs & above	0%	50%	0.0%	

The above table restates table 9 showing the earliest data on which the interest rate on LOBO loans can change as the maturity date. The impact is to restate 44% of debt previously classified as between 20 years and 50+ years to less than one year. As discussed on page 3, the interest rate on LOBO loans is higher than current rates for new borrowing and as a consequence should the lender try to change the rate, the Council can repay with no penalty and refinance at a considerable interest saving. The probability of LOBO calls will be monitored and if deemed high, a plan to refinance will be presented.

11	Sums invested for > 364 days	£0	£0
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The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The maximum maturity is currently 364 days and no investment exceeds this limit.

12	Adoption of CIPFA Treasury Management Code of Practice	√	√
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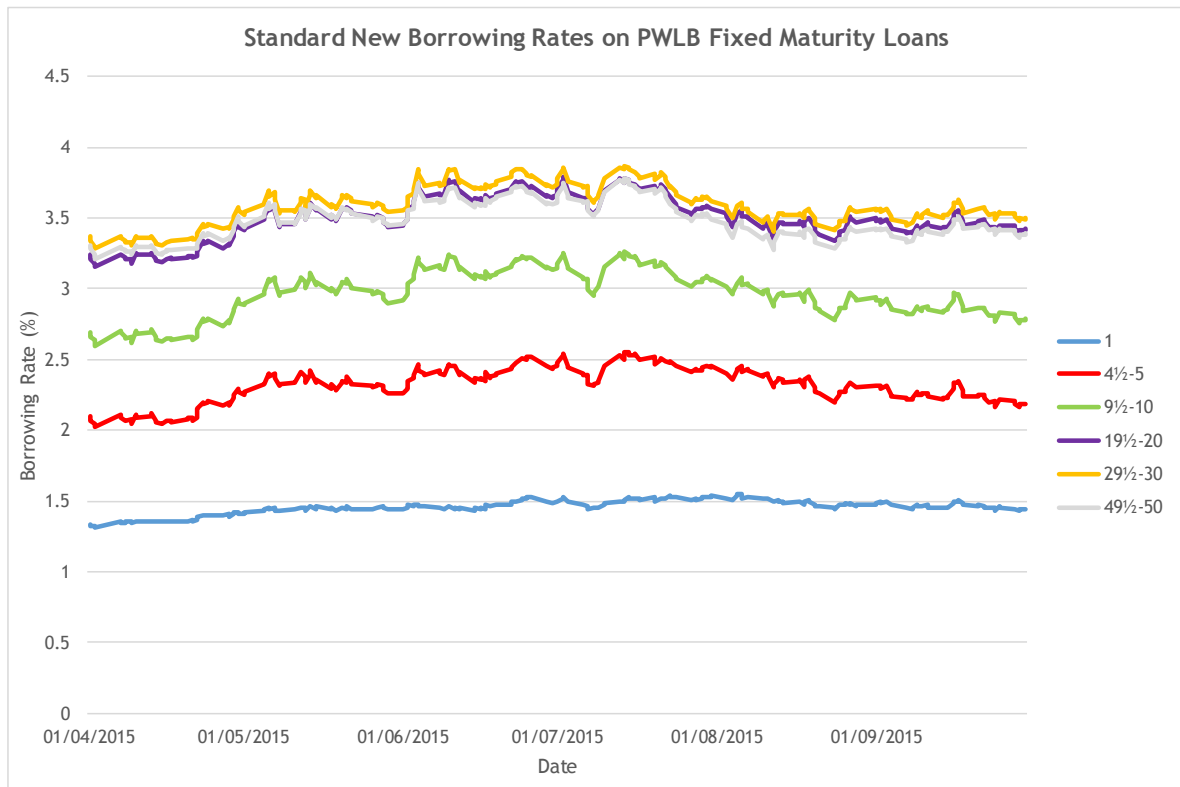
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**Annex 3: Outlook for Q3 and Q4 2015/16**

Arlingclose’s expectation for the first rise in the Bank Rate (base rate) remains the second calendar quarter of 2016. The pace of interest rate rises will be gradual and the extent of rises limited. The appropriate level for Bank Rate for the post-crisis UK economy is likely to be lower than the previous norm. We would suggest this is between 2.0% and 3.0%. There is also sufficient momentum in the US economy for the Federal Reserve to raise interest rates in 2015, although risks of issues from China could possibly push this back.

The weak global environment and resulting low inflation expectations are likely to dampen long term interest rates. We project gilt yields will follow a shallow upward path in the medium term, with continuing concerns about the Eurozone, and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued. The uncertainties surrounding the timing of UK and US interest rate rises, and the Chinese stock market-led turmoil, are likely to prompt short term volatility in gilt yields.

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Average
Official Bank Rate														
Upside risk			0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.32
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.08
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-0.70



The above graph indicates that long term rates although low by historical standards are sensitive to market assumptions of when base rates will rise and may move quickly when base rates do increase. This has implications for locking in future borrowing costs.

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Investment Strategy 2016-17

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £9.6 million and £95.1 million. It is anticipated that balances will be lower next year as debt is repaid. The impact on the value of cash balances from capital expenditure and the timing of any associated debt financing are uncertain.

**Objectives:** Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

**Strategy:** Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2016/17. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits, bank CDs and money market funds. These investments are exposed to bank bail in risk. To reduce the exposure to unsecured bank deposits, the counterparty policy has been expanded to include quasi government institutions; Supranational banks. Covered bonds are now identified separately from unsecured bank deposits as these deposits are of lower risk being both secured on collateral and possessing a bank issuer guarantee. During 2015 the Council commenced using treasury bills and certificates of deposits (CDs). The latter provides access to a greater range of counterparties who do not take fixed terms deposits e.g. overseas banks. This diversification has enabled the limit per counterparty for individual banks to be reduced from £20 million to £10 million. Similarly for local authority deposits the maximum exposure is halved to £15 million. These changes also reflect the anticipation that cash balances will remain at or below recent levels as part of the policy to minimise new long term borrowing.

**Credit Scoring:** Arlingclose, the Council's treasury management advisers, has 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

The quarterly scores during 2015-16 have been within the range 2.70 to 5.63, which is partially outside of the target score following the reduction in Barclay's credit rating. Action

was taken during October to return to within the target. For the next three years the target will remain 3 to 5.

**Specified and Non-specified Investments:** 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, which also explains the meaning of these terms. The list of proposed counterparties is shown in Annex 5. In keeping with the strategy of maintaining high quality counterparties, at least 50% of all investments will be specified investments.

Although cash balances will be low at certain times, there tends to remain a core balance that is capable of being invested for more than twelve months. On occasions investments with a maturity of slightly in excess of 12 months can offer exceptional good value. For this reason, the strategy allows a maximum of £10 million to be invested for over 12 months but less than 24 months. The Chief Financial Officer, 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.

**Credit Rating:** Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody’s or Standard & Poor’s. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

**Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority’s treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then no new investments will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.



When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

**Liquidity Management:** The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments.

### Counterparty Policy

The investment instruments identified for use in 2015-16 are listed in the table. Each investment type is classified as either 'Specified' or 'Non - Specified' investment categories. Specified investments are considered low risk and relate to funds invested for up to one year. Only those investments with a credit rating of at least AA- are considered as specified. Non-specified investments normally offer the prospect of higher returns but carry higher risk and may have a maturity beyond one year. At least 50% of investments held will be specified. All investments are sterling denominated.

As discussed in the borrowing strategy the plan during 2016-17 is to rely on short term debt and minimise cash balances. This will lead to a high proportion short dated and tradable instruments e.g. money market funds, T-bills, CDs and DMO within the cash portfolio to cover liquidity needs.

Investments do not include capital expenditure as defined 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).

### Minimum Credit Quality & diversification Limits

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) as below:

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 'other information' section above.

The limits stated in the table below 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. Operationally a limit will be applied to the amount invested in any MMF of no more than 2.0% of the Money Market Fund's total assets.

### Non UK Banks

The use of non-UK banks was suspended pre April 2015. Six countries retain AAA ratings from all three rating agencies - Australia, Canada, Denmark, Germany, Singapore, Sweden and Switzerland. Within these countries twelve banks meet the AA- or better criteria mentioned above and these have been included as eligible counterparties (annex 5). Using the highest quality overseas banks will both improve the overall security of the investment portfolio and enable greater diversification.

### Maturities Guidance

At present maturities have been kept to less than 12 months reflecting the expectation that cash balances will be maintained at low levels. However, there remains a core cash balance that persists over time. Longer maturities attract higher returns at present to compensate for illiquidity and the prospect of increased base rates in future. The strategy has been revised to permit a maximum of £10 million to be invested between 12 - 24 months.



Institution Type	Minimum Credit Rating	Maximum Counterparty Limit	Maximum Period of Investment	Specified / Unspecified
Debt Management Office	UK Government	No limit	364 days	specified
Gilts, Treasury Bill & Repos	UK Government	No limit	364 days	Specified
		£10 million	24 months	non-specified
Supra-national Banks & European Agency	AA-	£10 million	364 days	specified
		£5 million	24 months	non-specified
Covered Bonds issued by UK Banks	Bond AA+ / counterparty A-	£5 million per bond, £20 million aggregate	364 days	Specified
	Bond AA+ / Counterparty BBB+	£5 million per bond, £10 million aggregate	364 days	Non-specified
	Bond AA+ / counterparty A-	£5 million per bond, £10 million aggregate	24 months	non-Specified
UK Local Authority Deposits	n/a	£15 million per counterparty	364 days	specified
		£5 million per counterparty	24 months	non-specified
UK & AAA country Banks - term deposits, CDs and call accounts	AA-	£10 million per bank or banking group	364 days	specified
	AA-	£5 million per bank or banking group	24 months	non-specified
	A-	£5 million per bank or banking group	364 days	non-specified
Constant Net Asset Value Money Market Funds (MMFs), UK / Ireland / Luxembourg domiciled	AAA	£10 million per MMF. Aggregate £50 million.	daily liquidity	specified
Variable NAV Enhanced Cash Funds, UK/Ireland/Luxembourg domiciled	AAA	£5m per ECF. Group limit £15m	Minimum Weekly Redemption	non-specified

#### Additional Details on Types of Investments

**Banks and Building Society Deposits, Call Accounts and Certificates of Deposit:** These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

**Banks Covered Bonds:** These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.

**Money Market and Enhanced Cash Funds:** Shares in diversified investment vehicles consisting of time deposits, call accounts, CDs etc with banks and financial institutions. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while Enhanced Cash Funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

**Lending List of counterparties for investments**

This is the proposed list of bank 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 the investment strategy raises any concerns about their credit worthiness. In addition to the counterparties listed below, UK government, local authorities, money market funds and enhanced cash funds are included in annex 4.

<b>Instrument</b>	<b>Country/ Domicile</b>	<b>Counterparty</b>	<b>Arlingclose Suggested maturity</b>	<b>max</b>
Supranational Banks		European Bank for Reconstruction and Development	24 months	
		European Investment Bank	24 months	
		Inter-American Development Bank	24 months	
		International Bank for Reconstruction & Development	24 months	
UK Banks and Building Societies- Term Deposits, Call Accounts & CDs	UK	HSBC Bank Plc	13 months	
	UK	Standard Chartered Bank	6 months	
	UK	Barclays Bank Plc	100 days	
	UK	Lloyds Banking Group including Bank of Scotland	13 months	
	UK	Santander UK	6 months	
	UK	Nationwide Building Society	6 months	
	UK	Coventry Building Society	6 months	
Non-UK Banks - Term Deposits, Call Accounts and CDs	Australia	Australia & New Zealand Banking Group	6 months	
	Australia	National Australian Bank	6 months	
	Australia	Commonwealth Bank of Australia	6 months	
	new Australia	Westpac Banking Group	6 months	
	new Canada	Bank of Montreal	13 months	
	new Canada	Royal Bank of Canada	13 months	
	new Canada	Toronto-Dominion Bank	13 months	
	new Singapore	DBS Bank	13 months	
	new Singapore	Overseas-Chinese Banking Corp	13 months	
	new Singapore	United Overseas Bank	13 months	
	Sweden	Nordea Bank	13 months	
	Sweden	Svenska Handelsbanken	13 months	
Covered Bonds issued by UK Banks & Building Soc	UK	UK Banks and Buildings societies listed above.	24 months	
		Royal Bank of Scotland	24 months	

NB: max maturity capped at 24 months.

Compared with last year, no counterparties have been deleted and no UK banks added. The four supranational banks are new additions. All are AAA rated by the three rating agencies. These banks raise funds via CDs. The Arlingclose support maximum maturities of up to 5 years for AAA rated supranational banks.

Eight overseas banks have been added to the counterparty list. All are rated AA- or better by all three rating agencies. These banks rarely take deposits in the UK but can be accessed through CDs. There are currently no overseas banks in the portfolio. In addition to the limits set out in annex 4, a limit of £5 million per bank and £10 million per Non-UK country will be applied.

Investments in covered bonds are limited to UK banks and building societies. In addition to those banks and building societies eligible for unsecured deposits, Royal Bank of Scotland has been added for covered deposits. Covered deposits offer additional default protection due to the provision of collateral as security.

The counterparty list excludes MMF and ECF's as the name of the fund reflects the fund manager not the quality of the underlying holdings. Selection of MMFs and ECFs will be based on the criteria set of in Annex 4. The limit for any single MMF is £20 million and each ECF is £5 million.

Should Arlingclose reduce the maximum recommended maturity guidance for any bank, this will be reflected in the portfolio.

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**Report for:** Corporate Committee 26<sup>th</sup> November 2015

**Item number:** 10

**Title:** Individual Electoral Registration Transition Year 2 (IER 2) – current status.

**Report authorised by :** Assistant Director of Corporate Governance

**Lead Officer:** George Cooper , Head of Electoral Services

**Ward(s) affected:** All

**Report for Key/**

**Non Key Decision:** Non-key

### 1. Describe the issue under consideration

This report outlines the status of the second year of the new Individual Electoral Registration system in the context of the “end of transition ” to the System.

### 2. Recommendations

The Committee note the actions taken in pursuit of Electoral Registration thus far, and endorse the determination of the Electoral Registration Officer to continue pro-active registration campaigning beyond 1 December 2015.

### 3. Reasons for decision

- 3.1 To confirm that transition to IER has formally ended ( further to a Parliamentary vote in October ) and that therefore, names un- matched or non-responding to registration queries will be removed from the electoral register on the basis that they no longer *in situ*.
- 3.2 The Register will form the bedrock of elections to the Mayoralty of London and the Greater London Assembly on 5 May 2016, and may well have that role if the European Union Membership Referendum is held shortly afterwards, as it could be. Registration may take place at any time so there should be a continuation of extensive registration campaigning to take account of high turnover of electors between 1 December and scheduled Polls.
- 3.3 Another important, but “one-off,” role for the Register is that it will form the basis for the re-drawing of Parliamentary Boundaries. The Act which requires the Boundary changes also envisages the reduction in the number of MPs from 650 to 600. This in turn is likely to mean that Haringey will no longer have two constituencies contained wholly within its own boundaries, regardless of the size of the electorate on 1 December 2015.

- 3.4 New Boundaries must also meet a new constraint such that no constituency could depart from more or less than 5% of a set electoral figure, to be defined on 1 December 2015. There are only isolated exceptions permitted – Islands. To meet this constraint everywhere will likely mean that even constituencies which in isolation have the appropriate number might still see boundary changes.

#### 4. **Alternative options considered**

Electoral Registration is a statutory function and IER 2 has been carried out according to the prescriptions of the 2013 Electoral Registration and Administration Act.

#### 5. **Background information**

- 5.1 The Register across Haringey by which the Parliamentary General Election was conducted was the highest since 1987. It should be noted that “sign-ups” gathered pace as the Election approached, so the roll was much higher by April than it was in December – many people will act when there is a focus to do so, and Haringey typically has a 29% churn over a period of twelve months.
- 5.2 Non-response and, indeed, death will, in practice, remove people from a register more immediately than new electors are added – because electoral registration is not often the first priority for many people moving into an area, and areas such as inner London with such high churn are characterised by a large current of people who believe they will move on again quickly so don’t register. We “catch up” as people realise an election is approaching, as they decide to put down roots, and as their credit records require updating.
- 5.3 Population is rising in Haringey, but not necessarily the Parliamentary electorate portion (ie British, Commonwealth and Irish citizens) of it – 2015 was a particular high water mark of saturation registration and this was arguably reflected in the turnout. We utilise Census figures and other election results to evaluate such trends and to give us a picture of the size of the likely electorate.
- 5.4 IER 2 is markedly different to IER 1 in that it did not *start* with comprehensive Department of Work and Pensions DWP data matching, but with the distribution of Household Enquiry Forms (HEFs) to every dwelling – this commenced in August. The data-matching methodology and capacity to register online are still there as the groundbreaking features of IER 1, and indeed we have added a data-matching agreement across the Council, but IER 2 has elongated the registration process for new electors in that the HEF form does not necessarily complete their registration. It is necessary to complete an Invitation to Register (ITR) which is sent out once a HEF has identified the *new* names to be included.
- 5.5 With high churn and many new electors, this elongation of the process again means that “removal” can be a quicker process than “addition.” Some electors react badly to having complete two forms.

- 5.6 Direct Cabinet Office funding has essentially financed the transition. Over the two years of transition, it has been invested in seconded staffing to support the more complex “evidence based “ registration processes, to enhance customer service in what is a more demanding process for many, in tablets that link straight to the system and then “disappear” details after transmission to reassure electors that very personal ITR details are not simply being carried around by paper, in extensive marketing to raise awareness of the changes, and in better canvasser training.
- 5.7 It should be said that if electors have incomplete information on the doorstep, our canvassers are directing them to the online registration option which was such a vital feature of the change to IER and which can be completed any time. Online applications for new electors has, in Haringey, so far run some way ahead of the national 75% figure.
- 5.8 Activity since first despatch of HEFs has, then, included sending out reminders and ITRs and now, at the time of writing, we have 70 Canvassers undertaking a door-knocking process, out on the doorsteps to collect either HEFs or ITRs and doing this day in, day out as close as possible to 1 December when IER transition formally ends and a Register is published. I would anticipate that our new year campaign will , like last year, bring in the “catch – up” factors listed above.
- 5.9 We have progressively enhanced our Social Media presence to support our canvassers, we will also still be posting extra reminders until the very end – sometimes around nine forms of communication will have been tried, as the responsible Minister has indicated several times . We are aware of other groups pushing registration, including for example Hope not Hate, are liaising with Educational institutions to assist students to register, and have been using our data – sharing agreement to seek to identify and confirm registrations in addition to DWP matching. Registration information has been affirmed as part part of the Citizenship ceremony.

## **6. Contribution to strategic outcomes**

The electoral registration campaign is one of the few corporate activities that seeks to reach every single household and contributes an important perspective to other parts of the Council about the shape and scale of our community.

## **7. Legal and Financial implications**

- 7.1 Registration is a statutory function carried out to a heavily – prescribed timetable as indicated above.
- 7.2 The funding for IER transition – some £371,000 over two years, some by direct grant and some by application, has been directed towards the more complex costs of individual rather than household registration, to the elongated registration process and considerable extra postage that this entails, and to the specific initiatives identified in this report.

7.3 Notwithstanding the end of the transition, the Cabinet Office may be promulgating a series of pilot schemes in 2016 to simplify IER 2 and so reduce both costs and complexity.

**8. Local Government (Access to Information) Act 1985**

- a. Electoral Registration and Administration Act 2013
- b. Electoral Commission Guidance on Household Canvass