NOTICE OF MEETING

CORPORATE COMMITTEE

Thursday, 4th February, 2021, 7.00 pm - MS Teams: Watch it Here.

Members: Councillors Isidoros Diakides (Chair), Zena Brabazon (Vice-Chair), Dawn Barnes, Patrick Berryman, Dana Carlin, Vincent Carroll, Mahir Demir, Erdal Dogan, Scott Emery, Liz Morris, Alessandra Rossetti and Anne Stennett

Quorum: 3

1. FILMING AT MEETINGS

Please note that 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.

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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)

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 - 12)

To consider and agree the minutes of the meeting held on 3rd December 2020

7. 2021/22 - TREASURY MANAGEMENT STRATEGY STATEMENT; ANNUAL INVESTMENT STRATEGY; AND MINIMUM REVENUE PROVISION POLICY STATEMENT (PAGES 13 - 38)

8. AUDIT & RISK SERVICE UPDATE QUARTER 3 (PAGES 39 - 52)

9. NEW ITEMS OF URGENT BUSINESS

To consider any items of urgent business as identified at item *3*

10. DATE AND TIME OF NEXT MEETING

TBC

11. A.O.B.

Philip Slawther, Principal Committee Co-ordinator
Tel – 020 8489 2957
Fax – 020 8881 5218
Email: philip.slawther2@haringey.gov.uk

John Jones
Monitoring Officer (Interim)
River Park House, 225 High Road, Wood Green, N22 8HQ

Wednesday, 27 January 2021

MINUTES OF MEETING Corporate Committee HELD ON Thursday, 3rd December, 2020, 7.00 - 10.00 pm

PRESENT:

Councillors: Isidoros Diakides (Chair), Zena Brabazon (Vice-Chair), Dawn Barnes, Dana Carlin, Vincent Carroll, Mahir Demir, Scott Emery, Liz Morris, Alessandra Rossetti, Anne Stennett and Joseph Ejiofor

165. 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.

166. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Cllr Berryman and Cllr Dogan.

167. URGENT BUSINESS

There were no items of Urgent Business

168. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

169. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

The Committee received two deputations in relation to agenda Item 10, the Renaming of Black Boy Lane.

The first deputation was given by Anna Taylor and Ian Jackson Reeves both residents of Black Boy Lane. Below is a summary of the key points made as part of the deputation:

- Concerns were raised that the discussion to date on the subject seemed to be focused around ideology and insufficient consideration had been given to the practical realities involved and the huge impact that the change of name would have on local residents.
- A number of legal and important documents would have to be changed including pensions, passports, immigration documents, bank accounts and mortgage statements, for example. The cost of this would be significant and the suggested compensation figure of £300 would not be enough for many people. The change of address would also invalidate some insurance policies which could have a huge financial impact on individuals.

- Particular concerns were put forward about the additional cost on non-UK citizens and those with dual nationality who would have to resubmit immigration and visa documents to the Home Office, many of which would require lawyers to be present and would, as a result, be very expensive. In addition to the cost involved, many people were naturally wary of doing anything that may result in questions being asked about their visa/immigration status.
- Concerns were also put forward with the inadequacy of consultation until now on this proposal in general terms, as well as a specific failure to engage with residents, who were elderly or otherwise hard to reach.
- Ms Taylor advocated that common sense had to be used and that the impact and cost to residents had not been properly understood.
- Mr Jackson-Reeves commented that the proposal smacked of tokenism and that the amount of money being spent on changing a name could be far better put to use by supporting those most in need.
- It was reiterated that the number of places that a person's address was officially registered had not seemingly been fully appreciated and that a cursory search online would show how important a person's address was. The cost to people of having to change all of these and the time and effort spent doing so was unrealistic for a lot of residents.

In response to the deputation, the Committee put forward a number of questions:

a. In response to a question around the consultation process, the deputation party advised that the consultation was very limited and that this had primarily consisted of one letter sent out to residents in June/July, which a number of residents did not receive due to some people's addresses being missed off the list. The Committee was advised that the whole consultation process seemed to be very confused, particularly in terms of the order in which things had been done. Further concerns were outlined with this taking place during Covid-19 and an inability to meet with the Council in person to discuss the matter. Mr Jackson Reeves set out that his impression was that this was a done deal and that the consultation was effectively a box-ticking exercise. The deputation party also commented that the family of John La Rose's family were seemingly against the proposals and advocated that the money could be better spent elsewhere.
b. The Committee noted the frustration felt by residents and sort assurance as to whether they would support it if the Council was able to put in place adequate support processes. In response, the deputation party commented that part of the problem was that each resident would have different needs and that non-UK residents could be hit with bills of thousands of Pounds. Further concerns were also raised about the impact on local businesses and the submitting of tax returns.
c. The Committee commented that the report set out that only 35 residents of Black Boy Lane had responded to the consultation and questioned whether a lack of internet access was part of the problem.
d. In relation to a question around whether it was felt that £300 was enough, residents advised that this was the first time that they had been made aware of the figure and that there was an anecdotal account of a friend who had gone through something similar and that the costs could amount to £2k-£3k.
e. In relation to a question around whether the residents would support the proposal if the Council covered all of the costs, the deputation party set out that

it was also a question of the time and effort involved as most people worked long hours and did not have the time to undertake the various tasks involved.

The Committee also received a second deputation on behalf of Haringey Stand Up to Racism. The deputation was presented by Gary McFarlane and Vivek Lehal was also present as a member of the deputation party. Below is a summary of the key points made as part of the deputation:

- The deputation party welcomed the proposed name change and suggested that this issue went to the heart of what Britain is as a country and what Britain wants to be.
- The Black Lives Matter movement raised many questions about how to eradicate racism in society. One issue was the presentation of the history of racism in the UK and the use of monuments, statues, street names and the naming of public buildings. Many on these names were rooted in slavery and colonialism. This should be seen as being about righting historic wrongs.
- Haringey is a multi-ethnic and multicultural borough with a proud history of challenging racism.
- The deputation party acknowledged the concerns raised by the previous deputation about money but commented that if this was a problem then money should be sought from the government or perhaps the City of London, who profited greatly from slavery.
- It was commented that symbolism was important and that, in light of Black lives Matter, if this action was not taken now then when would it be.

In response to the deputation, the Committee put forward a number of questions:

a. In response to a question, the deputation party advised that Stand Up to Racism had put also forward a number of other representations on street names and locations in the borough that they would also like to see changed, including Rhodes Avenue.
b. In response to a question around why this mattered in contemporary Britain, it was suggested that this was about remembering the dead generations that went before and trying to right the wrongs of the country's past.
c. In response to a question, the importance of positive change was emphasised and that as broad a conversation as possible was needed on this topic.

The Chair thanked both deputation parties for their contributions, after summarising the key messages and concerns raised to be taken into account by the committee and he stressed that this was an interim stage in the process, with no decisions having being taken at this stage, and that if any final decisions were to be eventually made, they would be taken at a future meeting of the committee following a full statutory consultation.

170. MINUTES

That the minutes of the meeting held on 30th July 2020 were agreed as a correct record.

171. UPDATE ON THE RENAMING OF BLACK BOY LANE

** Clerk's note – The Committee agreed to vary the order of the agenda in order to take the item of renaming of Black Boy Lane first, followed by the External Auditors update. The minutes reflect the order in which items were considered at the meeting, rather than the order on the published agenda.**

The Committee received a report which provided an update on the renaming of Black Boy Lane and recommended that Corporate Committee agreed to proceed to a statutory consultation on the renaming to La Rose Lane, following a report to the Committee in July and the subsequent consultation with local residents on the two possible street names which were 'La Rose Lane' and 'Jocelyn Barrow Lane'. The report was introduced by Rob Krzyszowski, Interim Assistant Director for Planning, Building Standards and Sustainability as set out on pages 49-84. The Leader of the Council, Joe Ejiofor was also present for this item.

The Leader of the Council advised the Committee that the decision being asked of them was just to agree to take this issue to the next stage and agree that a formal consultation be launched on changing the name. It was suggested that many of the concerns raised by residents and by the deputation party would be addressed as part of this consultation and captured in a future report to Committee, which would formally seek authorisation for the name change. The Leader also advised the Committee that he had been in regular contact with the family of Mr La Rose and they were very supportive of this change. The Leader also noted that this was an important task, as language mattered.

The following was raised in discussion of this item:

a. The Committee commented that more work needed to be done around engaging with residents and ensuring that they were supportive of this change. In response, officers advised that the Council had made a conscious decision to undertake a consultation at an early stage and to consult on two possible names. Under the legislation, the Council could have just picked a name and gone straight to the statutory consultation process. However, it was felt important to offer residents a choice and to seek to engage them at an early stage.
b. The Committee raised concerns with the email circulated to all councillors received from the Padmore Institute, which was responsible for protecting Mr La Rose's legacy and who had voiced various concerns and expressed opposition to the proposed change of street name. The Committee sought assurance around why the family and the institute had not been consulted with at the start of this process. The Committee also requested clarification as to why other names had not been considered.
c. The Committee noted with concern that the estimation of costs from residents compared to what was set out in the report seemed to vary widely. The Committee voiced their disappointment that the report did not include a full costing per person of what the change in street name would cost. In response, officers advised that Section 8 of the report set out that the Council had put forward an estimated cost of £300 per household. Further costings would be included in the subsequent report to the Committee, when the Committee would be asked to make a final decision.
d. Members of the Committee reiterated the need for a proper consultation process to be undertaken with local residents and commented that, in the light

of the problems caused by the pandemic crisis and the intervention of the Christmas/New Year recess, they would support delaying the process until this had been carried out.

e. In response to a question, officers advised that letters were sent to everyone on the street and that a second follow-up letter was sent out to everyone, following concerns that some residents may have not received the first letter. The Council also extended the consultation window by two weeks to allow more responses to be received.
f. In response to a question around what percentage of responses in the affirmative would be required to secure a name change, officers advised that there was no set threshold and that, ultimately, it would be a decision for Corporate Committee to take.
g. The Committee enquired whether the Council could offer administrative support to residents to assist them in the process of getting various documents changed. The Committee were advised that there would be a dedicated resource in place to support residents on this.
h. The Committee enquired whether there was some scope to means test the cost of changing addresses to different households, rather than having a flat rate. A Committee Member reiterated the need for the full costs to be set out before a final decision could be taken. In response, officers advised that no final decision had been taken and that the statutory consultation would seek views around the costs involved and how the Council could best mitigate those costs.
i. The Leader set out that, contrary to what had been stated earlier in the meeting, both the family of Mr La Rose and the Padmore Institute were supportive of changing the name to La Rose Lane. The Leader advised that he had received six letters from the family, which were all supportive of the proposal and he had also spoken to three members of the Padmore Institute board, who were also supportive of it.
j. The Leader agreed that he would provide the Committee with copies of these letters as part of the final decision stage of the process. The Committee commented that they would have liked to see the letters included in the current agenda pack, in order to facilitate them taking a decision to go out to statutory consultation.
k. The Chair made reference to an earlier consultation event on the subject, where residents and local businesses raised issues about local traffic management and the physical condition of the street and commented that the council should avoid what has happened in some other examples where authorities wanted to honour certain individuals by naming streets, buildings or estates after them, but neglecting them and allowing them to be run down to the point where the initiative became almost an insult rather than an honour. He suggested that, if the proposal proceeds to the next phase, consideration of measures to address traffic management, street cleaning and physical maintenance problems should form part of the proposed consultation and planning.
l. The Chair summarised the key points coming out of the discussion, i.e. that there was general agreement that

   - The general principle of renaming streets in appropriate cases, for reasons like the ones described in the report, was broadly supported

- The specific person proposed (i.e. John LaRose) was an appropriate person to be honoured in this way, whether here or elsewhere
- There were concerns about the apparent objections by Mr Larose's family and the Padmore Institute, which could be allayed by the assurances provided by the Leader and his public commitment to circulate the relevant correspondence
- There were concerns about various shortcomings identified in the initial "voluntary" consultation round, that should be addressed in any further work on the proposal
- There were specific concerns about the lack of a clear picture on the total costs, the appropriateness of relying only on a flat-rate voluntary payment (as opposed to a case-by-case means tested approach), and the potential need to provide adequate administrative support to affected individuals encountering complex bureaucratic issues
- There were concerns that the pandemic crisis and the Festive season recess may affect the achievement of a full and effective consultation, and that the process should probably be delayed, to allow enough time to do it properly.

m. The Committee agreed to proceed to statutory consultation about the name change, with a rider that if the proposals were to come back to the committee for final decision, further assurances must be provided on the following concerns raised by members:
    - A full and proper consultation be undertaken and the views of all the residents sought.
    - That a full costing be provided on the cost of the name change to affected residents.
    - Consideration be given to slowing down the process to allow for consultation to take place and to bring the local community on board with the decision.
    - Consideration be given to the fact that starting the consultation process after the New Year would not unduly impact the delivery timescales and would afford officers more time to make the consultation process as comprehensive as possible.
    - Definitive assurances needed that renaming Black Boy Lane into LaRose Lane would be supported by his family and legacy trust
    - Assurances needed that the issues raised around the most appropriate method of voluntary payments and adequate provision of administrative support to affected residents have been fully addressed.

RESOLVED

That Corporate Committee:

I. Considered the feedback from the Consultation #1 (Informal) on possible street names and to approve 'La Rose Lane' as the preferred choice;
II. Agreed that the Council undertake a Consultation #2 (Statutory) on the proposal to rename Black Boy Lane to 'La Rose Lane' by posting or giving

‘notice of intention’ in accordance with Part II Section 6 of the London Buildings Acts (Amendment) 1939; and

III. Agreed that outcome of the Consultation #2 (Statutory) including any objections, and the proposed approach to voluntary payments and support, be reported back to the Committee for consideration and for a final decision on the proposal.

172. PROGRESS UPDATE ON THE AUDIT OF THE FINAL STATEMENT OF ACCOUNTS 2019/20

The Committee received a verbal update from Leigh Lloyd-Thomas from the external auditors, BDO on the Audit of the Final Statement of Accounts 2019/20. The Committee was advised that the onset of Covid had significantly impacted the ability of the sector to undertake all of the required audits within the given timescales and that only around half of local government audits had been signed off by September. BDO advised that Haringey’s audit started around a month ago. It was anticipated that the field work would be completed by Christmas and that it would be ready to be signed off in January. The Committee noted that the Council had submitted the final accounts on time but that auditors had simply not had the staff to complete it on time.

BDO fed back that they had been able to sign off three ongoing objections to the statement of accounts. These objections related to: Spending on the initial phase of the Haringey Development Vehicle; contract monitoring of PFI contracts for schools; and an allegation of non-compliance with penalties for non-payment of Council Tax. In all three cases the auditors had written to objectors to explain that they had investigated and found nothing of concern. BDO also advised that they had also received one new objection to the current statement of accounts which related to governance structures around the Council housing programme. This specifically related to a case were a property was purchased, was subsequently deemed to be surplus to requirements and then put back on the market for significantly less than the purchase price. BDO advised that there may be a very good reason for this, but that further investigation was required before a determination could be made.

The following was raised in discussion of this item:

a. In response to a question, Leigh Lloyd-Thomas from BDO advised that they had not found any issues to date that crossed the materiality threshold but cautioned that there was still work to be done and that he could not say for certain that there wouldn’t be going forward.
b. In response to a question, BDO reassured Members that the objections raised at present were not considered material and would not affect the auditor’s ability to certify the accounts as true and fair.
c. BDO advised that since the final accounts were compiled, Kingston Council had lost an appeal around repaying a surcharge for tenants’ water rates and that any council who had undertaken a similar scheme with Thames Water was expected to repay tenants for the excess amounts charged. It was noted that Haringey’s legal and finance officers were looking at the potential exposure for the Council. In response to a question, BDO advised that they could not determine whether this would exceed the materiality threshold until Haringey had determined the number of people who may be affected, and the amounts of money involved.

d. The Committee raised concerns about the fact that the deadline for the signing off of the accounts would be missed and sought assurances around whether the imposition of any further lockdowns could impact the timeline further. In response, BDO advised that they had effectively never come out of lockdown as they were not able to undertake site visits or face to face meetings. So any further lockdowns would not unduly further impact their ability to complete the audit. It was commented that Covid and lockdowns had resulted in it taking up to 50% longer to complete an audit and there had been no corresponding increase in staffing levels to offset this.

RESOLVED

I. That the update on the Audit of the Final Statement of Accounts 2019/20 was noted.

173. UPDATE ON THE AUDIT OF THE HOUSING DELIVERY PROGRAMME

The Committee received a report which provided an update on recommendations from the Housing Delivery Programme audit, that had been implemented since the last update to Corporate Committee report on 30th July 2020. The report was introduced by Robbie Erbmann, AD for Housing and Anna Blandford, Senior Housing Project Manager, as set out in the agenda pack at pages 17-24. The following arose during the discussion of this item:

a. In response to a request for reassurance around delivery architecture for the programme, officers advised that a full suite of delivery architecture was in place. Since the July meeting the cash flow system, Sequel, has been embedded into the team to support the Pro Val system in providing cash flow analysis all the way through a project and all staff had received training on it. Highlight reports had also been introduced and these fed into programme highlight reports that were reported up to programme highlight reports received by the Housing Delivery Board.
b. In relation to a question around the communications plan and wider engagement, officers advised that prior to the communications, consultation and engagement procedure notes and guidance being in place, there was guidance that existed for officers around consultation and engagement, but with the onset of Covid these had been updated and revised.
c. The Chair noted concerns around the consultation experiences of some people previously in relation to the Delivery Programme and requested that officers share further details of the three cases of statutory consultation that were undertaken during Covid. **(Action: Anna Blandford).**
d. The Committee commented that they would have liked for the project pro-formas and templates of how the programme was managing risk to be included in the report as an appendix, given the large amounts of money involved. Officers agreed to share copies of the blank project templates with the Committee. **(Action: Anna Blandford).**
e. The Chair requested assurance that every project within the programme was part of a database that recorded what the project was, the cost, who was responsible etcetera. The Chair also sought assurance that the database was closely monitored and regularly updated. In response, the AD advised that every project that had a gateway zero, which was every project agreed by Cabinet to go into the Housing Delivery Programme, was included in the

database. Officers acknowledged that this was regularly reported upwards to the Programme Board and Cabinet and that any slippages would be reported on a monthly basis.

f. The AD for Housing agreed that a follow-up mini audit be undertaken by Mazars in few months' time to look at the processes and systems in place within the Housing Delivery team. **(Action: Robbie Erbmann & Minesh Jani).**

RESOLVED

That Corporate Committee

I. Noted the progress made to date on actions following the Corporate Committee report on 30th July 2020.

II. Noted that all actions from the Council House Delivery Programme Audit from December 2019 have now been completed.

174. TREASURY MANAGEMENT UPDATE REPORT Q2

The Committee received a report which provided an update on the Council's treasury management activities and performance in the three months to 30 September 2020, in accordance with the CIPFA Treasury Management Code of Practice. The Committee were advised that all treasury management activities carried out were within agreed parameters set by the Treasury Management Strategy and that all performance indicators had been met. The report was introduced by Oladapo Shonola, Head of Pensions & Treasury, as set out in the agenda pack at pages 29-52. The following was raised in discussion of this item:

a. In response to a question around a large movement of £41.1m related to the Debt Management Office between March and June, officers advised that this reflected the fact that the authority had £77m invested with the DMO in March, but as the year progressed the Council spent down its balances so there was less money invested with the DMO.
b. In response to a question around the rate of maturity increasing between March and June, officers advised that the authority had managed to secure more longer term borrowing, which was a positive as it usually meant a higher yield on the investment.
c. In response to a question, officers advised that in relation to non-treasury investments, the Council provided a number of soft loans to partners. The most prominent example of this was Alexandra Palace. Officers acknowledged that any loan provided to the management company for Alexandra House would be reflected here in future reports.
d. Officers agreed to circulate a list of organisations and partners who the Council provided loans to. **(Action: Dapo).**

RESOLVED

The Corporate Committee:

I. Noted the half year Treasury Management report detailing the activity undertaken during the first half of the financial year to 30 September 2020 and the performance achieved, attached at Appendix 1 of the report;

II. Noted the Treasury Management activity undertaken during the first quarter of 2020/21 (April to June 2020) and the performance achieved attached at Appendix 2 of the report;

III. That Members noted that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

175. QUARTER 2 AUDIT, RISK & FRAUD UPDATE

The Committee received a report which provided a combined update on the work undertaken by the in-house Audit and Fraud Resources team, as well as its outsourced partner Mazars, for the quarter ending 30 September 2020. The report was introduced by Minesh Jani, Head of Audit and Risk Management, as set out in the agenda pack at pages 85-92. The following was raised in discussion of this item:

a. In response to a question, officers advised that the target for reclaiming properties was a notional target to measure the team's performance in reclaiming properties that had been secured fraudulently by people who had no entitlement to a council property. A national study had found that the percentage of fraudulently held council tenancies was around 5% and this measure was the means by which the Council could monitor such activity.
b. In relation to a question around Right to Buy properties purchased with fraudulent funds, officers advised that checks were carried out as part of money laundering regulations to establish the source of funds used to purchase a property, to ensure that those funds were legitimate.
c. The Committee enquired what audit processes were in place to oversee the millions of pounds of government money distributed locally in response to Covid. In response, officers acknowledged that this was a huge task, particularly as the government had stipulated that limited entitlement checks were undertaken, in order to speed up the distribution of grants to businesses. Instead, local authorities would be carrying out a robust process of post assurance checks, including cross-referencing national fraud databases and working with the National Fraud Initiative. The Council was submitting monthly returns to government on this.
d. In relation to non-fraudulent Right to Buy applications that were refused, officers advised that the role of the Fraud Team was to ensure that things were done properly and that there was an additional level of assurance. The Fraud Team did not interfere in the application process but there were some situations that would illicit involvement and checks being undertaken by the service to ensure that the person was entitled to purchase the property.
e. In relation to a question, officers advised that where there was sufficient evidence, cases would be referred to the Police and that the Council was also able to use its in-house Legal team to prosecute. There were currently two cases of tenancy fraud being progressed internally.
f. The Head of Audit and Risk Management agreed to send the audit plan for the year to the Committee. **(Action: Minesh Jani).**

g. The Committee requested a provisional assessment of the robustness of internal systems for monitoring/auditing Covid-related grants distributed by Haringey on behalf of the government. **(Action: Minesh Jani).**
h. The Chair requested a follow-up report on the audit of the disposal of assets, following the points of clarification requested at the last meeting and to provide further assurance that the recommendations had been fully implemented. **(Action: Minesh Jani).**

RESOLVED

That the Corporate Committee noted the activities of the team during quarter two 2020/21.

176. RISK MANAGEMENT POLICY STATEMENT

Corporate Committee considered the Risk Management Policy and associated Risk Management Strategy as part of its Terms of Reference for monitoring the effectiveness of systems for the management of risk across the Council and compliance with them. The report was introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 93-118. The following points were raised in discussion of the report:

a. The Committee sought reassurance around the extent to which services were consulted on the Risk Register. In response, officers advised that the risk register was a corporate document and that the Head of Audit and Risk Management consulted with senior officers and finance leads across the organisation to ensure that the register reflected the key risks. The Head of Audit and Risk Management acknowledged that this was a live document and that it needed to be kept up-to-date in order for it to be relevant.
b. The Committee sought clarification around the corporate Risk Register, in terms of who owned and produced it and how that fed into the wider Risk Management Policy. The Head of Audit and Risk Management agreed to provide a response in writing due to the fact that meeting was overrunning. **(Action: Minesh Jani).**

RESOLVED

That Corporate Committee

I. Reviewed and approved the Corporate Risk Management Policy and associated Risk Management Strategy.

II. Noted the Covid risk register as at 31 October 2020.

177. ANTI-FRAUD & CORRUPTION STRATEGY

The Committee received the Anti-Fraud & Corruption Strategy and covering report. The report was introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 119-152.

The Committee agreed to address any questions on this item to the Head of Audit and Risk Management via email. **(Action: All).**

RESOLVED

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

178. ANY OTHER BUSINESS OF AN URGENT NATURE

None.

179. DATE AND TIME OF NEXT MEETING

4th February 2021
18 March 2021

CHAIR: Councillor Isidoros Diakides

Signed by Chair ………………………………..

Date …………………………………

Report for: Corporate Committee 4th February 2021

Title: 2021/22 - Treasury Management Strategy Statement; Annual Investment Strategy; and Minimum Revenue Provision Policy Statement

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)

Lead Officer: Oladapo Shonola, Head of Finance (Treasury and Pensions)
Oladapo1.shonola@haringey.gov.uk 020 8489 1860

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1 To present the Treasury Management Strategy Statement for 2021/22 to this Committee (following its scrutiny at Overview and Scrutiny Committee) before it is presented to Corporate Committee and then Full Council for final approval.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the proposed updated Treasury Management Strategy Statement for 2021/22 agreed and recommended to Full Council for approval.

4. Reasons for decision

4.1 The CIPFA Treasury Management Code of Practice requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year.

5. Alternative Options Considered

5.1 None

6. Background information

6.1. The CIPFA Treasury Management Code of Practice requires that the Treasury Management Strategy Statement is formulated by the Committee responsible for the monitoring of treasury management, is then subject to scrutiny before being approved by Full Council. In Haringey, the Corporate Committee is responsible for formulating the Treasury Management Strategy Statement for recommendation to Full Council through Overview and Scrutiny Committee. Any comments by Overview and Scrutiny will be reported to Corporate Committee.

6.2. The key updates to the proposed strategy being considered are summarised below:

- The Treasury Management Strategy Statement sets out a five year position throughout the report, which better aligns with the Council's medium term financial strategy and budget report.

- Now that PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield, a practice not previously undertaken by this Council, the strategy makes clear the Council's intention to continue to avoid this activity in order to retain its access to PWLB loans.

- As was the case in the last strategy, this Treasury Management Strategy Statement allows for the possibility of the Council diversifying its treasury investments into higher yielding asset classes (paragraph 5.4). Were this to proceed, this would represent a change in the Council's strategy from prior years, and is included in the strategy to allow for this as a possibility at this stage, not for final decision making purposes. This would be the subject of further reports for later in the financial year if this is to proceed further, and would return to Corporate Committee prior to progression.

- The strategy maintains the maximum limit of £5m on any single investment on the basis that the Council's treasury reserve is of this level.

7. Contributions to Strategic Outcomes

7.1 The treasury strategy will influence the achievement of the Council's budget.

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

Finance and Procurement

8.1 The approval of a Treasury Management Strategy Statement is a requirement of the CIPFA Treasury Management Code of Practice and CIPFA Prudential Code.

8.2 Financial Comments are contained throughout the treasury management strategy statement.

Legal

8.3 The Assistant Director of Corporate Governance has been consulted on the content of this report. The Council must make arrangements for the proper administration of its financial affairs and its power of borrowing is set out in legislation.

8.4 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.

8.5 As mentioned in this report the CIPFA Treasury Management Code of Practice requires the Council to agree a Treasury Management Strategy Statement (TMSS) (including an Investment Strategy). In considering the report Members must take into account the expert financial advice available and any further oral advice given at the meeting of the Committee.

Equalities

8.6 There are no equalities issues arising from this report.

9. Use of Appendices

9.1 Appendix 1 – 2021/22 – Treasury Management Strategy Statement, Annual Investment Strategy, Minimum Revenue Provision Policy Statement.

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.

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London Borough of Haringey

Treasury Management Strategy Statement 2021/22

1. Introduction

1.1. Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. 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. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

1.2. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.3. Investments held for service purposes or for commercial profit are considered are considered in section 6 of this report, in line with the 2018 MHCLG Guidance.

2. External Context – provided by the Council's appointed treasury advisor, Arlingclose

2.1. **Economic background:** The impact on the UK from coronavirus, lockdown measures, the roll out of vaccines, as well as the trading arrangement with the European Union (EU), will remain a major influence on the Authority's treasury management strategy for 2021/22.

2.2. The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.

2.3. UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

2.4. GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

2.5. GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

2.6. The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

2.7. Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization

2.8. **Credit outlook:** After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainty around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

2.9. The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

2.10. Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

2.11. **Interest rate forecast:** The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

2.12. Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon.

The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

2.13. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

2.14. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 0.75%, and that new long-term loans will be borrowed at an average rate of 3.0%.

3. Local Context

3.1. On 30th November 2020, the Authority held £509.9m of borrowing and £46.4m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1a: Balance sheet summary – cumulative forecast Capital Financing Requirement (CFR) and borrowing balances

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
General Fund CFR	449.2	614.9	748.0	853.3	924.0	963.2	949.9
HRA CFR	274.3	424.9	552.9	737.2	912.9	1036.2	1058.6
Total CFR	**723.4**	**1039.8**	**1,300.9**	**1,590.5**	**1,836.9**	**1,999.4**	**2,008.5**
Less: Other debt liabilities *	-31.2	-27.3	-23.5	-19.5	-15.3	-10.9	-08.4
Loans CFR	**692.3**	**1012.5**	**1,277.4**	**1,571.0**	**1,821.6**	**1,988.5**	**2,000.1**
Less: Internal borrowing	-160.6	-200.6	-200.5	-200.3	-200.1	-201.9	-196.0
CFR Funded by External Borrowing	**531.7**	**811.9**	**1077.0**	**1,370.7**	**1,621.5**	**1,786.5**	**1,804.1**
Breakdown of external borrowing:							
Existing Borrowing**	531.7	495.4	480.9	473.5	452.3	445.6	441.1
New Borrowing to be raised	0.0	316.5	596.0	897.3	1169.2	1,340.9	1,363.0

* leases and PFI liabilities that form part of the Authority's total debt
** shows only loans to which the Authority is committed and excludes optional refinancing

3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.3. The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £1,363m over the forecast period.

3.4. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1a shows that the Authority expects to comply with this recommendation during the course of the MTFS.

3.5. The capital plans which underpin the borrowing requirement above are dealt with in the council's main budget report (in particular the Capital Strategy section). All of the Council's capital programme is robustly scrutinised and tested to ensure that the capital plans are affordable and prudent. The above shows the five year effects of the Council's capital programme, however all capital plans are assessed in their entirety (i.e. some schemes are for a greater than 5 year time frame).

3.6. The breakdown of the borrowing position at each financial year end for both the General Fund and the HRA is shown below:

Table 1b: Year end borrowing position summary

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
General Fund (GF)	242.0	386.6	523.7	633.1	708.3	750.0	745.1
Housing Revenue Account (HRA)	289.7	425.3	553.2	737.6	913.2	1036.5	1058.9
Total	**531.7**	**811.9**	**1,077.0**	**1,370.7**	**1,621.5**	**1,786.5**	**1,804.1**

4. Borrowing Strategy

4.1. The Authority currently holds £495m million of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1a shows that the Authority expects to increase its borrowing by up to £596m by the end of 2021/22. The Authority may also borrow additional sums to reduce its existing internal borrowing to satisfy future years' borrowing requirements, providing this does not exceed the authorised limit for borrowing as set out in table 2 of this report.

4.2. **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

4.3. **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. However, given the size of the Council's capital programme, and the need to diversify the Council's debt portfolio to further minimise refinancing risk. Long term borrowing will also be required during 2021/22, so the strategy will be to fulfil the Council's borrowing requirement during the financial year with a mixture of long and short term borrowing.

4.4. By doing so, the Authority is able to reduce net borrowing costs. The benefits of short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.5. The Authority has in recent years raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pension funds and local authorities, and may investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority has not done this in the past and has no plans to engage in such activity, and will thus retain its access to PWLB loans.

4.6. Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

4.7. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Haringey Pension Fund and the London Collective Investment Vehicle)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

4.8. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

4.9. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

4.10. **LOBOs:** The Authority holds £125m 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. £75m of these LOBOs have options during 2021/22, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so, however, it recognises that lenders are highly unlikely to offer this while the interest rates on existing loans remain above prevailing rates.

4.11. Some LOBO lenders are now open to negotiating premature exit terms from LOBO loans via payment of a premium to the lender. Haringey Council's policy will be to exit LOBO agreements if the costs of replacing the loans, including all premium, transaction and funding costs, generate a material net revenue saving for the Council over the life of the loan in net present value terms, and all costs are consistent with Haringey's approved medium term financial strategy. Whether to repay a LOBO loan will be determined by the S151 Officer, in line with Haringey's constitution.

4.12. When loans are prematurely repaid, there is usually a premium payable to the lender, to compensate them for interest forgone at the contractual rate, where prevailing interest rates are lower. Haringey would need to refinance LOBOs by raising borrowing for both the original sum borrowed, and the premium payable to the lender. However, this type of arrangement can prove beneficial where interest savings exceed premium costs.

Replacing LOBOs, that contain an option for lenders to increase the rate, with fixed rate debt will reduce refinancing and interest rate risk.

4.13. As the Council's borrowing portfolio grows in line with its capital spending plans, the LOBOs will continue to shrink as a proportion of the Council's total borrowing.

4.14. **Short-term and variable rate loans**: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

4.15. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

4.16. **Borrowing Limits:** The council's total borrowing limits are set out in table 2 below.

4.17. The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The Indicator separately identifies borrowing from other long term liabilities such as finance leases. The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

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

4.19. The Chief Finance Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Corporate Committee.

Table 2: Borrowing Limits

	2020/21 limit £m	2021/22 limit £m	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m
Authorised limit – borrowing	979.6	1,207.4	1,501.0	1,751.6	1,918.5	1,930.1
Authorised limit – PFI & leases	30.9	31.0	25.7	20.2	14.4	11.1
Authorised limit – total external debt	**1010.5**	**1,238.4**	**1,526.7**	**1,771.8**	**1,932.9**	**1,941.2**
Operational boundary - borrowing	929.6	1,157.4	1,451.0	1,701.6	1,868.5	1,880.1
Operational boundary – PFI & leases	28.1	28.2	23.4	18.4	13.1	10.1
Operational boundary – total external debt	**957.7**	**1,185.6**	**1,474.4**	**1,720.0**	**1,881.6**	**1,890.2**

5. <u>Treasury Investment Strategy</u>

5.1. 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 treasury investment balance has ranged between £31.9 and £166.6 million, and similar levels are expected to be maintained in the forthcoming year. It is a requirement of the Markets in Financial Instruments Directive II (MiFID) that the Council maintains an average investment balance of at least £10m, in order to maintain professional client status (see also paragraph 11.7)

5.2. **Objectives:** The CIPFA Code requires the Authority to invest its treasury 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 of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.3. **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.4. **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to maintain its policy of utilising highly creditworthy and highly liquid investments such as loans to other local authorities, AAA rated money market funds and the Debt Management Office (part of HM treasury). If the Authority were to consider diversifying into more secure and/or higher yielding asset classes during 2021/22, in particular for the estimated £10m that is available for longer-term investment due to being required for the MiFID professional client status, this would be the subject of further reports as it would represent a change in.

5.5. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.6. **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Time Limit	Counterparty Limit	Sector Limit
The UK Government	50 years	£Unlimited	N/A
Local authorities & other government entities	25 years	£5m	Unlimited
Banks (secured)*	2 years	£5m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building Societies (unsecured) *	13 months	£5m	£20m
Reigstered providers (unsecured) *	5 years	£5m	£20m
Money market funds	N/A	£5m	Unlimited
Strategic pooled funds	N/A	£5m	Unlimited
Real Estate Investment Trusts	N/A	£5m	Unlimited

5.7. **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.8. **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

5.9. **Bank Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

5.10. **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. 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. See below for arrangements relating to operational bank accounts.

5.11. **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.12. **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over banks of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

5.13. **Pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

5.14. **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

5.15. **Operational bank accounts:** The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £10m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

5.16. **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.

5.17. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day 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.

5.18. **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, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.19. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.20. **Investment limits**: The Authority's revenue reserves available to cover investment losses are forecast to be £5 million on 31st March 2021. In order that no more than 100% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

5.21. Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

	Cash limit
Any single organisation, except the UK Central Government	£5 m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£5m per country
Registered providers and registered social landlords	£5m in total
Unsecured investments with building societies	£5m in total
Loans to unrated corporates	£5m in total
Money market funds*	£25m in total
Real estate investment trusts	£5m in total

* These limits apply for both Haringey Council and Haringey pension Fund, so the limit for Money Market Funds is £5m per MMF and £25m aggregate limit for the Council, and £25m for the Pension Fund.

5.22. **Liquidity management**: The Authority uses purpose-built cash flow forecasting software 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. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

6. <u>Investment Strategy</u>

6.1. <u>Non Treasury Management Investments</u>

6.1.1. The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

6.1.2. This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

6.2. <u>Treasury Management Investments</u>

6.2.1. The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £10 million and £50 million during the 2021/22 financial year.

6.2.2. **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

6.2.3. **Further details:** Full details of the Authority's policies and its plan for 2021/22 for treasury management investments are covered in the previous section, section 5 of this report.

6.3. <u>Service Investments</u>

6.3.1. **Contribution:** The Council lends money to third parties such as its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.

6.3.2. **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, it will be ensured that any new loans made will remain proportionate to the size of the Authority. Balances as at 31.03.2020 were as follows:

Table 5: Loans for service purposes in £ millions

Category of borrower	31.3.2020 actual		
	Balance owing	Loss allowance	Net figure in accounts
Subsidiaries	16.9	-0.3	16.6
Local businesses	4.7	-0.7	4.0
Local charities	47.9	-43.5	4.3
Local residents	0.1	0.0	0.1
Employees	0.1	0.0	0.1
TOTAL	**69.7**	**-44.6**	**25.2**

6.3.3. The largest balance above relates to Alexandra Palace debts (shown under local charities). There are historic debt balances owed by the Trust that have not been legally discharged, totalling £47.9m. Much of this loan, £43.1m, is legally outstanding but does not currently have repayments being made, this debt dates back to previous decades when the Council expended funds on behalf of the Trust. Although the £43.1m debt has not been legally discharged, the Council has agreed that it will only seek to recover this when the Trust is in a position to repay amounts due. The remainder of the outstanding amount are more recent loans relating to works carried out on the Ice Rink and West Storage Yard – these are being repaid in line with the original loan agreements. The loans to local business include the opportunity investment fund, and a loan to a business who operates some of Haringey's leisure facilities.

6.3.4. Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2019/20 onwards are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

6.3.5. **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by weighing up the service outcomes any such loan could provide against the creditworthiness of the recipient. This is done on a case by case basis, given the low number of such arrangements. This forms part of the Council's capital programme, further details of which are in the Council's annual medium term financial strategy.

6.4. <u>Commercial Investments: Property</u>

6.4.1. Contribution: The Council holds properties which are classified as 'investment properties' in the Council's statement of accounts. These properties are all within the local area, therefore contributing to the Council's local placemaking duties, and include approximately 200 shops, offices and other commercial premises. The revenue stream associated with these (net of the costs of maintaining the properties) forms part of the Council's annual budget, therefore contributing to the resources available to the Council to spend on local public services. Any future acquisitions that the Council makes in this area will be made with reference to the CIPFA Prudential Property Investment guidance issued in 2019.

6.4.2. The value of investment properties disclosed in the 2019/20 statement of accounts was £88.6m.

7. <u>Capacity, Skills, Culture and Advice</u>

7.1. CIPFA's Treasury Management Code of Practice requires the Chief Financial Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

7.2. Given the significant amounts of money involved, it is crucial members have the necessary knowledge to take treasury management decisions. Training sessions are arranged for members to keep their knowledge up to date.

7.3. The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

7.4. The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is reviewed by the Council's treasury management staff.

7.5. Appropriately skilled and experienced finance and legal staff members work with service departments to ensure that the risks associated with any projects they undertake, and compliance with regulation and statutory guidance are properly understood, and form a key consideration in any decision making process.

7.6. The Council's constitution has clearly defined roles and responsibilities for treasury management responsibilities, both for members, committees, and officers.

8. <u>Investment Indicators</u>

8.1. The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure because of its investment decisions.

8.2. **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses.

Table 6: Total investment exposure

Total investment exposure	31.03.2020 Actual	31.03.2021 Forecast	31.03.2022 Forecast
Treasury management investments	92.3	15.0	15.0
Service investments: Loans	25.2	24.8	24.4
Commercial investments: Property	88.6	88.6	88.6
TOTAL INVESTMENTS	206.1	128.4	128.0

8.3. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 7: Investments funded by external borrowing

Investments funded by borrowing	31.03.2020 Actual	31.03.2021 Forecast	31.03.2022 Forecast
Treasury management investments	0.0	0.0	0.0
Service investments:	19.3	19.8	20.5
Commercial investments: Property	68.1	71.1	74.7
TOTAL FUNDED BY BORROWING	87.4	90.9	95.2

8.4. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 8: Investment rate of return

Investments net rate of return	2019/20 Actual	2020/21 Forecast	2021/22 Forecast
Treasury management investments	0.70%	0.75%	0.75%
Service investments:	1.19%	1.19%	1.19%
Commercial investments: Property	6.16%	4.00%	4.00%
ALL INVESTMENTS	3.11%	3.08%	3.08%

9. Treasury Management Indicators

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

9.2. **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating 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. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	*Above A-, score of 7 or lower*

9.3. **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 3 month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£10m

9.4. **Interest rate exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£2m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£2m

9.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

9.6. **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and above	100%	0%

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

9.8. **Total short term borrowing:** the Council has used short term borrowing (under 1 year in duration) from other local authorities extensively in recent years, as an alternative to longer term borrowing from PWLB, due to the lower interest rates, and corresponding revenue savings. Short term borrowing could also be raised from other counterparties such as banks. Short term borrowing exposes the Council to refinancing risk: the risk that interest rates rise quickly over a short period of time, and are at significantly higher rates when loans mature and new borrowing has to be raised. With this in mind, the Authority will set a limit on the total amount of short term borrowing that has no associated protection against interest rate rises, as a proportion of all borrowing.

Short term borrowing	Limit
Upper limit on short term borrowing that exposes the Council to interest rate rises as a percentage of total borrowing	30%

9.9. **Principal sums invested for periods longer than a year:** 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 limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£10m	£10m	£10m

10. Minimum Revenue Provision Policy Statement

10.1. Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

10.2. The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

10.3. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

10.4. The Council's MRP policy was reviewed and revised to better reflect the rules set out in the prudential code and government guidance around prudent provision for repayment of borrowed capital. The revised policy, which took effect from 1 April 2016, ensured that provision for capital repayment is made over a period that is commensurate with the period in which the asset purchased provides benefits.

General Fund MRP policy: borrowing before 2007/08

10.5. The Council calculates MRP on historic debt based on the Capital Financing Requirement (CFR) as at 1 April 2007.

10.6. The Council calculates the MRP charge based on 2% of that CFR, fixed at the same cash value so that the whole debt is repaid after 50 years in total.

10.7. The historic MRP policy for borrowing incurred before 2007/08 led to MRP charges that exceeded what prudence required during the period from 1 April 2007 to 31 March 2016. This resulted in a cumulative charge at 31 March 2016 that was in excess of what is considered prudent and appropriate under the current policy. To reflect the historic over-provision the Council undertakes an annual review to determine whether to make a realignment of MRP charged to the General Fund, using the policy set out above, to recognise the excess sum charged to that point.

10.8. The following conditions will apply to the annual review:

- Total MRP after applying realignment will not be less than zero in any financial year.
- The cumulative total of the MRP realignment will never exceed the amount of historical over-provision calculated to 31 March 2016.

10.9. The table below summarises the historic overprovision position on pre 2008 General Fund expenditure:

Table 9: Summary of historic overprovision of MRP on pre 2008 GF expenditure

	£m
MRP provided between 2008-2016 under previous policy to 31.3.2016	78.0
MRP required to be provided between 2008-2016 under current policy	45.2
Overprovision as at 31.3.2016	32.9

10.10. The remaining overprovision of MRP as at 31.3.2020 was £12.7m. The estimated MRP charges relating to pre 2008 general fund expenditure are summarised in the table below, due to the historic overprovision, MRP charges are estimated to be nil until part way through 2022/23 at which point the historic overprovision will be cleared.

Table 10: Estimated MRP charges on GF pre 2008 expenditure

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m	£m
MRP charge on pre 2008 GF expenditure	5.0	5.0	5.0	5.0	5.0	5.0
Less: historic overprovision	-5.0	-5.0	-2.7	0.0	0.0	0.0
Net MRP charge for pre 2008 expenditure	0.0	0.0	2.3	5.0	5.0	5.0

<u>General Fund MRP policy: prudential borrowing from 2007/08</u>

10.11. For borrowing incurred on schemes described by the Government as Prudential Borrowing or Unsupported Borrowing, MRP will be calculated over the estimated remaining useful life applicable to the expenditure (usually the useful life of the asset it is financing) using the Annuity repayment method in accordance with Option 3 of the guidance.

10.12. This means that MRP will be calculated on an annuity basis (like many domestic mortgages) over the estimated life of the asset, at an appropriate interest rate. Estimated life periods will be determined by the Section 151 Officer under delegated powers.

10.13. In accordance with the provisions in the guidance, MRP will be first charged in the financial year following the one in which the entire asset to which the charge relates, becomes fully operational.

10.14. Financial agreements such as loans, investments or where assets are to be acquired for future development (including where capital receipts are part of the business case), will not, at the discretion of the CFO, attract MRP. This discretion will be applied where it is reasonable to assume that the initial capital investment will be returned to the Council in full at maturity or over a defined period.

HRA MRP policy

10.15. There is no statutory requirement to make an annual MRP charge for HRA assets, and the Authority does not currently plan to do this given the current low level of debt per property that the Council holds, and the fact that sums charged as depreciation in the HRA are spent on major repairs to the Authority's housing stock to ensure they remain in suitable condition. This policy will be kept under annual review.

Concession Agreements

10.16. MRP in relation to concession agreements (e.g. PFI contracts) and finance leases are calculated on an asset life method using an annuity repayment profile, consistent with the method for all prudential borrowing since 2007/08. Estimated life periods will be determined under delegated powers.

Finance Leases

10.17. For assets acquired by finance leases, including leases brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Statutory capitalisations

10.18. For expenditure which does not create a fixed asset, but is statutorily capitalised and subject to estimated life periods that are referred to in the guidance, these estimated periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

10.19. Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, at the discretion of the Section 151 Officer.

10.20. The Section 151 Officer may approve that such debt repayment provision may be made from capital receipts or from revenue provision.

11. Related Matters

11.1. The CIPFA Code requires the Authority to include the following in its treasury management strategy.

11.2. **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

11.3. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

11.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

11.5. In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

11.6. **Housing Revenue Account:** On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

11.7. **Markets in Financial Instruments Directive**: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, this most appropriate status.

12. Revenue Budget Implications

12.1. The budget for investment income in 2021/22 is £0.2 million, based on an average investment portfolio of £25 million at an interest rate of 0.75%. This is assumed to remain constant throughout the MTFS.

12.2. The budget for debt interest paid in 2021/22 is detailed in the table below for both the General Fund and HRA. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

12.3. The table below demonstrates the revenue budgets in both the General Fund and HRA for both interest costs on borrowing, and Minimum Revenue Provision charges. The Council's capital programme is moving to a financing strategy that seeks to ensure that investment via the capital programme is self-financing. The self-financing schemes will normally only proceed if they produce a reduction in expenditure that includes reductions enough to cover the cost of financing the investment. The level of these savings is demonstrated in the table below.

Table 11: Revenue budget for interest costs and MRP:

	2020/21 Forecast	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
	£m	£m	£m	£m	£m	£m
MRP - pre 2008 expenditure	0.0	0.0	2.3	5.0	5.0	5.0
MRP - post 2008 expenditure	5.5	8.7	14.2	17.4	20.8	24.0
Total MRP	**5.5**	**8.7**	**16.4**	**22.5**	**25.8**	**29.0**
Interest Costs (General Fund)	4.5	8.6	9.0	10.9	12.2	12.4
Total Gross Capital Financing Costs (General Fund)	**10.0**	**17.4**	**25.4**	**33.4**	**38.0**	**41.5**
Offsetting Savings for self financing schemes	-0.7	-5.2	-8.9	-12.3	-14.7	-15.2
Total Net Capital Financing Costs (General Fund)	**9.3**	**12.2**	**16.5**	**21.0**	**23.3**	**26.3**
Interest Costs (HRA)	**16.4**	**16.2**	**22.9**	**30.0**	**35.7**	**38.8**

13. Other Options Considered

13.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance (S151 Officer) having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast - December 2020

Underlying assumptions:

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out, especially with likely emergency action in response to a no-deal Brexit.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

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Report for:	**Corporate Committee – 4 February 2021**
Item number:	8
Title:	**Audit & Risk Service Update** **Quarter 3 (Oct – Dec 2020)**
Report authorised by:	**Director of Finance**
Lead Officer:	Minesh Jani, Head of Audit and Risk Management Tel: 020 8489 5973 Email: minesh.jani@haringey.gov.uk
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 in-house Audit and Fraud resources, as well as our outsourced partner Mazars, for the quarter ending 31 December 2020. A combined report has been produced to update the Committee as during quarter three the team continue to face the unprecedented circumstances of all working remotely from the Council offices due to COVID-19.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the activities of the team during quarter three 2020/21.

4. Reasons for decision

4.1 The Corporate Committee is responsible for monitoring the effectiveness of the Council's Internal Audit Strategy; policies on Anti-Fraud and Corruption and receiving assurance with regard the Council's internal control environment and mechanisms for managing risk. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee with regards Audit and Anti-Fraud efforts and at bi- annually updates on Risk Management are provided.

5. Alternative options considered

5.1 Not applicable.

6. Background information

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

7. Contribution to strategic outcomes

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

8. Statutory Officers comments - Chief Finance Officer and Deputy Monitoring Officer

8.1 Finance and Procurement
There are no direct financial implications arising from this report although the impact of Covid-19 on planned activity has been clearly highlighted throughout the report. The work completed by the Team is funded from within the Audit and Risk Management revenue budget. The maintenance of a strong proactive and reactive fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal
The Council's Head of Legal and Governance (interim) has been consulted in the preparation of this report and has no comments.

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

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

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

9. Local Government (Access to Information) Act 1985
Not applicable.

10. Performance Management Information
10.1 Local performance targets have been agreed for Audit and Risk Management, these are reported against in the sections below.

11. INTRODUCTION

11.1 This report covers the period from 01 September 2020 to 31 December 2020.

11.2 The Team's in-house resources have not been significantly impacted resource level wise by COVID-19 in quarter three. Business continuity plans were enacted in March the working practices of the team have adapted to enable the team to continue to fulfil its role in the council. Risk assessments exist locally and to meet corporate requirements, to ensure safe working practices whilst identifying new ways of working, that reduce the need for face-to-face contact as much as possible.

11.3 The Mazars new core audit team, formed this financial year to better serve the council and its future service needs, continue to be inducted into the Council. Work planned in quarter two has been delivered and reports finalised or booked to commence in quarter four. There was good engagement in quarter three with both planning and audit fieldwork, recognising the challenges the team faces in delivering sufficient audit assurances to support a robust Head of Internal Audit Opinion. More information regarding progress with the plan is included later in this report and a summary of outcomes from work completed by Mazars is included in an appendix to this report. The Chair of Committee has also requested an update on the status of the approved audit plan, this could not be produced in time for the agenda but will be shared with Members, going forward, in the same way audit summaries are shared quarterly.

11.4 Although resources have been stable during the period the demand on the services remains very high. This is both from an audit and risk perspective and the business grant projects continue to be a priority area of resource allocation for the anti-fraud team also. The resources required to support this project and provide assurance relate to both the pre-payment stage of the process to prevent fraud and risks related to non-compliance with the guidance and also post payment and post event assurance, this work is estimated to have equated to three FTEs throughout quarter three.

12. INTERNAL AUDIT

12.1 In quarter three the new team from Mazars have increasingly embedded and built links with management across the Council, audit work has progressed, and six assignments have been finalised by the end of the quarter with significant planning work for quarter four audits also being completed. The Head and Deputy Head of Audit and Risk continue to support the efficient delivery of added value work and continues to support the work of services and responding to new and emerging risks by providing advice, guidance or undertaking focused audit assignments to provide assurances.

12.2 The Head of Audit & Risk has continued to work with the Council's Director of Finance and Monitoring Officer to ensure that the governance framework remains robust and offering both general and specific risk advice to support Directors, as over the summer we saw a return to a new business as usual environment. Meetings of the Statutory Functions Board have taken place fortnightly throughout quarter three providing a timely forum for formal discussion about statutory responsibilities to take place.

12.3 The Deputy Head of Audit & Risk has continued to be involved with the Emergency Business Grant projects the Council has delivered, in quarter three new grant allocations have been made for distribution for the periods since October 2020 when the Borough was placed in Tier 2. Our role in November and December has been in an advisory capacity supporting the project team to quantify risk and make informed decisions regarding process and control. During October and November work was completed on the post event assurance requirements by central government and this work will continue into 2021, monthly updates were submitted throughout quarter three.

12.4 Troubled Families returns have been audited and assurances provided to the Department for Ministry of Housing, Communities and Local Government (MHCLG) that the information provided by the Troubled Families Team in pursuit of funding is correct.

12.5 The reports finalised in quarter 3 three and those that reached the draft stage of the process are outlined in Appendix 1 of this report. Two limited assurance system reports have been issued relating to Declarations of Interest and Cyber Security. Four Adequate Assurance School reports have been finalised. One audit relating to Right to Buy Buy-Back is with management in draft form. Summaries of the limited assurance reports are detailed below.

12.6 Declaration of Interests – Limited Assurance
A robust process for declarations of interest and commitment to the application of the Nolan principles in everything we do is a key element of the governance framework. The honesty principle states that "Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest." The reputational risk to the council is high where there are perceived or actual conflicts of interest there are risks around achievement of value for money where decisions are not taken with the best interest of the council at the centre of the decision making.

12.7 The audit raised one priority, two priority 2 and three priority 3 recommendations. The audit noted where enhancements to the Code of Conduct, Corporate Inductions and how records are updated and held could strengthen control and also that there were weaknesses with regards long standing agency workers, who might be in decision making roles, updating declarations.

12.8 Cyber Security – Limited Assurance
Recent cyber security events in Local Government, the NHS and outside of the public sector have amplified the risks in regard to cyber security. In addition, the rapid deployment of remote working as a result of COVID-19, increases the likelihood that security gaps were not effectively mitigated due to the priority of deploying at pace remote working and continuing service delivery. For many organisations and those in Local Government, cyber security is now commonly a top ten strategic risk and certainly features as the top technology-based risk at an operational level.

12.9 The audit raised two priority 1 and eight priority 2 recommendations. A further three housekeeping issues were raised. The audit noted digital services were not promptly informed of staff leaving the organisations. This potentially allows staff who have left the Council may access our systems. The other area of priority 1 recommendation related to implementing recommendations raised from the penetration testing in a timely manner.

12.10 Summaries of all audit outcomes are shared with Corporate Committee Members outside of the meeting reporting cycle. The team will follow up the agreed actions within audit reports as part of the 2021/22 audit plan, failure to address weaknesses identified will be escalated to Senior Management and updates on progress to mitigate risk in these areas will be provided to Committee.

13. RISK MANAGEMENT

13.1 For 2020/21 a service objective was to strengthen risk management in the Council, again this planned work continues to be adjusted to provide input and support to management regarding the risk arising due to Covid-19 and also those that may increase over time. A Covid-19 risk register was created focussing on both internal and external risks. These were reported to Statutory Functions Board and will continue to be monitored throughout 2020/21 and beyond until all risks are closed or moved onto other business as usual risk registers.

13.2 As noted above the team have advised management to support risk management decisions in the two grants projects in quarter three. Fraud risks are inherently high in both projects and significant work by the project teams needed to be undertaken to manage this risk to within the Council’s risk appetite. The highest residual fraud risks for Haringey are currently (i) Relief eligibility breaches i.e., businesses had claimed relief on multiple premises beyond the entitlements (ii) Use of premises, liability for business rates, business activity or trading status of the business being falsely presented in application and evidenced by false documentation (iii) non-compliance with State-Aid Rules. As noted in other sections of this report, significant risk management activity has taken place to prevent fraud from occurring in the grant projects and post event assurance work will confirm any fraud that occurred despite these mitigating actions. Once identified any fraud cases will be pursued in accordance with the Council’s fraud strategy and adhering to guidance provided by central government.

13.3 In quarter three the Head and Deputy Head of Audit and Risk continue to work with management teams, attending management team meetings to review and challenge their risk registers, this activity also informs the pre audit planning work for 2021/22 as we explore with managers emerging risk areas.

13.4 An update of the BREXIT risk register was completed in quarter three.

14. ANTI-FRAUD ACTIVITY

14.1 The team undertake a wide range of anti-fraud activity but have two work areas where annual performance targets are in place. One relating to Tenancy Fraud and the other Right to Buy Fraud. These targets have been consistently achieved in recent years. Financial values can be assigned to these outcomes based on the discounts not given and the estimated value of providing temporary accommodation to a family. The Audit Commission, when in existence, valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, as noted above this related to average Temporary Accommodation (TA) costs. 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 to provide an indication of the cost on the public purse of fraud activity.

14.2 Table 1 Local Performance Targets – anti fraud activity

Performance Indicator	Q3	YTD	Financial Value	Annual Target
Properties Recovered	**6**	**16**	**£288k+**	**50**
Right to Buys prevented	**15**	**53**	**£5.5m+**	**80**

14.3 Tenancy Fraud – Council properties

14.4 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. HfH continue to fund a Tenancy Fraud Officer co-located within the Fraud Team.

14.5 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., both tenancy fraud and right to buy fraud. Covid-19 has obviously impacted on outcomes in comparing activity to the same period in 2019 we note that 176 referrals were received in this period and 75 for 2020. 45 properties had been recovered at this point in 2019 compared to the 16 noted above.

14.6 Table 2 Tenancy Fraud Activity and Outcomes

Opening Caseload	196	
New Referrals received	31	
Total		**227**
Properties Recovered	6	
Case Closed – no fraud	19	
Total		**(-) 25**
Ongoing Investigations		**202**

14.7 Two Tenancy Fraud files are being prepared for prosecution and 123 of these cases (61%) are with other teams for action. Properties will be included in the ‘recovered’ data when the keys are returned, and the property vacated.

14.8 Right-to-buy (RTB) applications

14.9 As at 31 December 2020 there were approximately 236 ongoing applications under investigation. As predicted in the prior reports the applications received increased again, back to business-as-usual levels, in quarter three after lower numbers earlier in the year. The team reviews every RTB application to ensure that any property where potential tenancy, benefit or succession fraud is indicated can be investigated further.

14.10 During quarter three, 15 RTB applications were withdrawn or refused either following review by the fraud team and/or due to failing to complete money laundering processes. Year to date outcomes total 53. This performance has started to fall behind compared to the same period in 2019 when the outcome was 67. Covid-19 is impacting on the timeline in many processes both internally but also within the banks we work with on these cases.

14.11 At the end of quarter two and start of quarter three some urgent visits took place, where assurances could not be gathered using desktop approach. This was reassessed as the quarter went on and the restrictions increased within the Borough. It is noted that for applications received to date in 2020 no visit took place, by the Homes for Haringey team. With restrictions so high currently the fraud team are unable to visit also however additional desk-based checks are being completed to mitigate the increased risk.

14.12 **Gas safety – execution of warrant visits**

The Fraud Team accompany warrant officers on all executions of ‘warrant of entry’ visits where it is suspected that the named tenant is not in occupation.

This activity has recommenced at the end of quarter three however due to number already involved in these visits the fraud team were unable to attend. This activity not taking place for over half of the year will have an impact our results potentially as it is noted that at end of Q3 in 2019/20 18 property recoveries had been achieved as a direct result of these visits and the team had another 9 active investigations.

14.13 **Pro-active counter-fraud projects**
During 2020/21, the Fraud Team will continue with a number of pro-active counter-fraud projects in areas that have been identified as a high fraud risk. Progress reports on this work will be reported to the Corporate Committee during the year; the findings and outcomes are all shared with service managers as the projects are delivered. As outlined elsewhere in this report or resource for proactive fraud work, have been focused on the new grants projects and reviewing any complex cases to assist management in making robust decisions that are compliant with the guidance and approved scheme.

14.14 **No Recourse to Public Funds (NRPF)**
As at 31 December, 43 referrals have been received and responded to by the Fraud Team in this financial year. Seven were received in quarter three. This compares to 13 for the period in 2019/20. The role of the Fraud Team is to provide a financial status position for the NRPF team to include in their overall Children and Family Assessment.
The average cost of NRPF support per family (accommodation and subsistence for a two-child household) is around £20,000 pa.

14.15 **Internal employee investigations**
In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees.
Four (4) employee investigations noted in earlier quarterly reports were all closed by the end of quarter two. There are two new employee related investigation on-going currently.

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.

14.16 **Whistleblowing Referrals**
The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. Six new referrals were made during quarter three. Of these two were retained for audit investigation, one was closed immediately and three were passed to management and HR as were more appropriately dealt with under other Council policies. Both investigations were on-going at the end of quarter three.

14.17 **Prosecutions**
As at 31 December 2020 one Tenancy Fraud cases have been prepared and are with Legal Services for a Court application. One further prosecution is in progress for Homes for Haringey.

APPENDIX 1

Introduction

This report to the Corporate Committee for the 2020/21 financial year includes details of all reports which have reached final stage in Quarter 3 The report provides information on assurance opinions on areas we have reviewed 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. Full copies of our audit reports will be provided upon request. The fieldwork for these reviews has been completed during the government measures put in place in response to Covid-19. Consequently, testing has been performed remotely.

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.

Key Highlights/Summary of Quarter 3 2020/21:

2020/21 Internal Audit Reports finalised in the quarter:

- Declarations of Interest
- Management of Cyber Risks

2020/21 Schools Audit Reports finalised in the quarter

- Rokesly Junior School
- Belmont Junior School
- Ferry Lane Primary School
- Rokesly Infant and Nursery School

2020/21 Draft Internal Audit Reports issued this quarter

- Buyback of Right to Buy

2020/21 Draft Internal Audit Reports issued this quarter

- CIL
- Letting Contracts
- Contract Management
- Purchase Cards
- Capital Schemes
- Insourcing

-`Brokerage (Adult's and Children's)
- No Recourse to Public Funds
- IT Disaster Recovery
- Adaptations (Adult's and Children's)
- IT Infrastructure Resilience
- Riverside and Wellbourne Schools

Audit Progress and Detailed Summaries

The following table sets out the audits finalised in Quarter 3 of 2020/21 financial year and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
Declarations of Interest	September 2020	January 2021	Limited		1	2	3
Management of Cyber Risks	December 2020	January 2021	Limited		2	8	3

As part of the 2020/21 Internal Audit Plan we have visited the following schools during Quarter 3 and issued a final report:

School	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
Rokesly Junior School	November 2020	January 2021	Adequate		-	3	1
Belmont Junior School	November 2020	January 2021	Adequate		-	5	3
Ferry Lane Primary School	December 2020	January 2021	Adequate		-	3	2
Rokesly Infant and Nursery School	December 2020	January 2021	Adequate		1	2	1

Definitions of assurance levels, recommendations priorities and direction of travel are included below.

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

Definitions of Assurance Levels	
Level	**Description**
Substantial Assurance:	Our audit finds no significant weaknesses and we feel that overall risks are being effectively managed. The issues raised tend to be minor issues or areas for improvement within an adequate control framework.
Adequate Assurance:	There is generally a sound control framework in place, but there are significant issues of compliance or efficiency or some specific gaps in the control framework which need to be addressed. Adequate assurance indicates that despite this, there is no indication that risks are crystallising at present.
Limited Assurance:	Weaknesses in the system and/or application of controls are such that the system objectives are put at risk. Significant improvements are required to the control environment.
Nil Assurance:	There is no framework of key controls in place to manage risks. This substantially increases the likelihood that the service will not achieve its objectives. Where key controls do exist, they are not applied.

Definitions of Recommendations	
Priority	**Description**
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Direction	
Direction	**Description**
→	Improved since the last audit visit.
←	Deteriorated since the last audit visit.
↔	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Statement of Responsibility

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

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

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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