

Audit, Pensions and Standards Committee

Agenda

Thursday 5 December 2013

7.00 pm

COMMITTEE ROOM 1 - HAMMERSMITH TOWN HALL

MEMBERSHIP

Administration:	Opposition	Co-optees
Councillor Michael Adam (Chairman) Councillor Robert Iggulden Councillor Lucy Ivimy Councillor Charlie Dewhirst	Councillor Michael Cartwright Councillor PJ Murphy (Vice-Chairman)	Eugenie White

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[http://www.lbhf.gov.uk/Directory/Council and Democracy](http://www.lbhf.gov.uk/Directory/Council_and_Democracy)

Members of the public are welcome to attend. A loop system for hearing impairment is provided, along with disabled access to the building.

Date Issued: 26 November 2013

Audit, Pensions and Standards Committee Agenda

5 December 2013

<u>Item</u>	<u>Pages</u>
1. MINUTES OF THE PREVIOUS MEETING	1 - 9
<p>(a) To approve as an accurate record and the Chairman to sign the minutes of the meeting of the Audit, Pensions and Standards Committee on 26 September 2013.</p> <p>(b) To note the outstanding actions.</p>	
2. APOLOGIES FOR ABSENCE	
3. DECLARATIONS OF INTEREST	
<p><i>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</i></p> <p><i>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</i></p> <p><i>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</i></p> <p><i>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Audit, Pensions and Standards Committee.</i></p>	
4. ACTUARIAL VALUATION	10 - 43
<p>The Pension Fund is required to obtain a triennial actuarial valuation as at 31st March 2013 and a certificate of employer contribution rates for the period 2014/15 to 2016/17. The Fund Actuary, Alison Hamilton of Barnett Waddingham, has prepared the initial results of this valuation</p>	

and these are set out in Appendix 1.

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|------------|--|-----------|
| 5. | PENSION VALUE AND INVESTMENT PERFORMANCE | 44 - 62 |
| | This report prepared by P-Solve, provides details of the performance and market value of the Council's Pension Fund investments for the quarter ending 30 th September 2013. | |
| 6. | PENSION FUND MANAGER BRIEFINGS | 63 - 66 |
| | This report proposes that separate briefings with fund managers take place once a quarter attended by Committee members and officers. | |
| 7. | TREASURY MID-YEAR REVIEW 2013-14 | 67 - 73 |
| | This report presents the Council's Half Year Treasury Report for 2013/14 in accordance with the Council's Treasury Management Practices. | |
| 8. | CORPORATE HEALTH AND SAFETY MANAGEMENT ANNUAL REVIEW | 74 - 97 |
| | This report provides a summary of the health and safety performance of the organisation for the 12 month period to October 2013. | |
| 9. | CORPORATE ANTI FRAUD SERVICE REPORT 1 APRIL 2013 TO 30 OF SEPTEMBER 2013 | 98 - 116 |
| | This report provides an account of anti-fraud related activity undertaken from 1 April 2013 to 30 September 2013. | |
| 10. | ANNUAL GOVERNANCE STATEMENT ACTION PLAN, OUTSTANDING RECOMMENDATIONS FOR EXTERNAL AUDIT AND FRAUD RESPONSE PLAN | 117 - 127 |
| | This report summarises: | |
| | <ul style="list-style-type: none">• Progress on implementing recommendations arising from the Audit Commission 2012/13 Annual Governance Report• The action plans relating to the control weaknesses identified in the 2012/13 Annual Governance Statement and progress in implementing these action plans.• Progress on implementing the recommendations in the Fraud Response Plan | |
| 11. | COMBINED RISK MANAGEMENT HIGHLIGHT REPORT | 128 - 172 |
| | This report updates the Committee of the risks, controls, assurances and management action orientated to manage Enterprise Wide risks. | |
| 12. | INTERNAL AUDIT QUARTERLY REPORT | 173 - 181 |
| | This report summarises internal audit activity in respect of audit reports issued during the period 1 July to 30 September 2013 as well as reporting on the performance of the Internal Audit service. | |
| 13. | EXCLUSION OF THE PUBLIC AND PRESS | |
| | The Committee is invited to resolve, under Section 100A (4) of the Local | |

Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraphs 3 and 7 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

- 14. PENSION FUND INVESTMENT ADVISER APPOINTMENT**
- 15. EXEMPT MINUTES OF THE PREVIOUS MEETING**



London Borough of Hammersmith & Fulham

Audit, Pensions and Standards Committee Minutes

Thursday 26 September 2013

PRESENT

Committee members: Councillors Michael Adam (Chairman), Charlie Dewhurst, Robert Iggulden, Michael Cartwright and Lucy Ivimy

Co-opted Member: Eugenie White

P-Solve: John Conroy and Nikhil Aggarwal

KPMG Audit: Mike McDonagh and Samantha Maloney

Officers: Jane West (Executive Director of Finance and Corporate Governance), Hitesh Jolapara (Bi Borough Director of Finance), Geoff Drake (Chief Internal Auditor), Moyra McGarvey (BiBorough Director of Audit), Michael Sloniowski (BiBorough Risk Manager), Jonathan Hunt (Tri-Borough Director of Pensions and Treasury), Christopher Harris (Head of Corporate Accountancy), Nicola Webb (TriBorough Pensions Officer), Andrew Hyatt (BiBorough Head of Fraud) and Owen Rees (Committee Coordinator).

90. MINUTES OF THE PREVIOUS MEETING

Councillor Iggulden and Councillor Cartwright asked about the information requested regarding Edward Woods Estate. Tasnim Showkat, Bi-Borough Director of Law, said that she would be writing to Councillor Cartwright in response to the questions he had posed. Officers would report on the reasons for the delayed Cabinet decision in due course.

RESOLVED THAT

The minutes of the meeting held on 27 June 2013 be agreed as a true and correct record subject to Eugenie White being shown as present.

91. APOLOGIES FOR ABSENCE

There were apologies from Councillor PJ Murphy.

92. DECLARATIONS OF INTEREST

There were none.

93. LONDON BOROUGH OF HAMMERSMITH AND FULHAM STATEMENT OF ACCOUNTS, INCLUDING PENSION FUND FOR 2012/13

Hitesh Jolapara, Bi-Borough Director of Finance, introduced the accounts for 2012-13. He said that the auditors had found only 3 errors, all presentational in a document that runs to well over 100 pages. He said that there had been an underspend of 11 million on the General Fund, which had been allocated to various reserves, while the balance sheet had been substantially stable. He also outlined the position in the Pension Fund, and in relation to the audit of grants.

Mike McDonagh, Partner, KPMG and Tri-Borough partner, said that he had received 2 objections from members of the public to the Council's main accounts shortly before the finale date. He said that he would take time to investigate them, and form a view on their materiality; this would need to be concluded before the accounts could be certified. He said that his responsibilities were similar to those held by the District Auditor, in relation to the Value For Money judgement as well as the accounts.

He drew attention to the presentation errors on page 132, to the critical accounting matters on page 135, to the concerns set out on page 136 with regards to the size of the accounts, and to the unqualified opinion on the Pension Fund. He said that he considered the Committee a good example of members engaging with and challenging the Council's finances and control environment.

Councillor Dewhirst asked about the salaries shown on page 82, and asked whether the rise in the number paid over were due to new roles created under Tri-Borough. Jane West, Executive Director of Finance and Corporate Governance, said that this was a result of decisions on pay made in schools, which were out of the Council's control, and no increase had been given as a result of Tri-Borough. Eugenie White asked about the reduction in pension contributions. Ms. West said that the deficit recovery element of pension payments was no longer accounted for as a percentage of salary, but as cash, due to the reduction in pension fund members.

The Chairman asked about the debts owed from other local authorities. Mr Harris said that this was largely Tri-Borough in nature, owing to recharging, and Mr McDonagh said that the accounts looked at a specific point in time. The Chairman also asked about the valuation of the Pension Fund. Mr. Hunt said that the actuary and the accounts employed different measures. .

RESOLVED THAT

- (i) The content of the Auditor's Report to those Charged with Governance (ISA260s) stating that the accounts will receive an unqualified opinion, are free from material misstatements, that the Council has an adequate internal control environment and has made proper arrangements to

secure economy, efficiency and effectiveness in the use of resources, be noted.

- (ii) The Council's response to the Reports to those Charged with Governance (ISA260s) be noted
- (iii) That the management representation letter be approved.
- (iv) That the Statement of Accounts for 2012/13 be approved.

94. ANNUAL GOVERNANCE STATEMENT

Geoff Drake, Chief Internal Auditor, introduced the report, which set out the Annual Governance Statement. He said that page 168 identified areas of weakness identified. He said that areas identified for strengthening included risk management within the Council's supply chain identifying key contractors and sub-contractors, the maintenance of the contracts register and the health and safety assessments made by contractors.

Councillor Cartwright noted that the Statement referred to training for Councillors. He said that he did not believe the Council offered members a wide variety of training, in particular in relation to its regulatory Committees. Jane West noted that the Committee had been offered training on its different areas of work, and the Chairman said that a number of Pensions conferences were free to attend. Tasnim Shawkat, Bi-Borough Director of Law, said that officers could offer bespoke training to members who wanted it, given the constraints on external suppliers.

RESOLVED THAT

- (i) The 2012 – 2013 Annual Governance Statement be approved, and that;
- (ii) The Committee monitor and track an agreed management action plan to address areas of control weaknesses and thereby ensure continuous improvement of the system of internal control.

95. ANNUAL REVIEW OF THE CODE OF CONDUCT AND ARRANGEMENTS FOR DEALING WITH COMPLAINTS AGAINST MEMBERS AND CO-OPTED MEMBERS

Tasnim Shawkat, Bi-Borough Director of Law, presented the report, which updated on the operation of the Council's Standards regime since its implementation. She said that there had been 2 complaints, 1 of which was withdrawn and the other not upheld, after discussions between the monitoring officer and independent person. She drew the Committee's attention to the proposed minor changes to the Members' Code of Conduct, and the proposed arrangements in relation to dispensations, including the Council's own role. She said that the experience of Councils, where serious breaches had occurred, was that sanctions were much more difficult to apply under the new legislation.

Councillor Dewhurst asked about the confidentiality of complaints. Ms. Shawkat said that the Monitoring Officer had the ability to determine whether, after the initial investigation, the complaint should be closed. If a Sub-Committee to hear a complaint was necessary, the hearing would be held in public.

RESOLVED THAT

- (i) The proposed changes to the “Arrangements for dealing with complaints alleging a breach of the Members’ Code of Conduct” set out in paragraph 5.6 and Appendix 1, be recommended to the Council for approval, and;
- (ii) That Council be recommended to amend to the Committee’s terms of reference to include “ To consider any applications for dispensations from Councillors and co-opted members to allow them to participate in decisions”, and;
- (iii) That Council is also requested to note that in the event of an application being received a three member Audit, Pensions and Standards (Dispensation) Sub Committee would be set up to consider the request.
- (iv) That the draft guidance for applications for dispensations attached at Appendix 2 of the report, be approved.

96. PENSION VALUE AND INVESTMENT PERFORMANCE

Nikhil Agarwal, P-Solve, presented the quarter 2 update on the position of the fund. He said that the fund had seen strong returns in April and May, with markets rising due to looser monetary policy in Japan. This was followed by a correction at the end of May, following the Federal Reserve’s announcement that it was considering “tapering” its programme of bond purchases. However, the latter had seen the price of government bonds fall, with a corresponding reduction in liabilities for the fund, and a likely improvement in funding levels over the quarter. In quarter 3, he said that July had seen markets again rise. He said this reflected the recent tendency for the markets to follow the news rather than fundamentals.

Councillor Ivimy asked whether the fund still held a high proportion of gilts. John Conroy, P-Solve, said that the strategic allocation to bonds remained unchanged. Within the two Dynamic Asset Allocation mandates, which offered their managers greater flexibility, both Ruffer and Barings now held a greater proportion of on-risk assets, with each holding around 50% in equities.

Eugenie White said that it was difficult to ascertain whether the Legal and General mandate was performing well. Jonathan Hunt, Tri-Borough Director of Treasury and Pensions, said that the actuary had offered to produce a quarterly update for the Committee at a cost of £1000 per quarter, which would show the fund’s valuation and allow it to gauge performance against liabilities.

Councillor Ivimy asked that officers reproduce the graph on page 247 of the agenda showing the value in real terms.

RESOLVED THAT

(i) The report be noted.

(ii) The actuary be requested to produce a quarterly update on the value of the fund.

97. PENSION FUND CASHFLOW POSITION

Jonathan Hunt, Tri-Borough Director of Treasury and Pensions, introduced the report, which set out proposals for resolving issues with the Fund's cashflow. He said that the proposals was to use the proceeds from dividends to close the cashflow gap, without any sales of assets required; he added that the Council's position was common amongst local authority pension funds. The Chairman noted that the requirement should be considered in the asset allocation review that would follow the actuarial valuation.

RESOLVED THAT

(i) The Committee agree £5m be withdrawn from the Majedie UK equity portfolio in October 2013 to cover the expected overdraft.

(ii) That the Committee delegate to the Executive Director of Finance and Corporate Governance, in consultation with the Chair of the Audit, Pensions and Standards Committee, the decision about how much, when and from which portfolio cash be withdrawn during the remainder of 2013/14. The decision is to be made on the basis that the cash required is withdrawn from the portfolio with the highest overweight position compared to target at the time of the requirement for withdrawal.

98. ACTUARIAL VALUATION UPDATE

Jane West, Executive Director of Finance and Corporate Governance, said that she had met with the actuary earlier in the week, and had reviewed their draft report. She said that the actuary had found that the funding level had improved, with a number of factors having contributed to this, besides the fund's strong investment performance. She said that further work would be done on the report before it was presented to the next meeting of the Committee.

Officers explained that the contribution rate had previously included the deficit recovery element, which had since been expressed as cash and maintained despite the reduction in pension fund members. The contribution rate relating to members was unlikely to alter.

99. CALL FOR EVIDENCE ON THE FUTURE STRUCTURE OF THE LOCAL GOVERNMENT PENSION SCHEME AND COLLECTIVE INVESTMENT VEHICLE

Minutes are subject to confirmation at the next meeting as a correct record of the proceedings and any amendments arising will be recorded in the minutes of that subsequent meeting.

Jonathan Hunt, Tri-Borough Director of Treasury and Pensions, introduced the report which set out a proposed response to the DCLG consultation on the LGPS and requested permission to participate in the set-up of a Collective Investment Vehicle with other London Boroughs. The DCLG sought responses on a proposed reduction of the number of local authority Pension Funds. He said that officers were concerned with two aspects of the proposal: firstly, the removal of control over the Pension Fund from local control, and secondly, the limitations that larger funds faced in selecting investments. The Chairman and John Conroy, P-Solve, echoed concerns regarding investment selection.

Eugenie White said that a study of the performance of Dutch pension funds had showed that aggregation significantly reduced the costs of arising from administration and management, but that the aspiration to increase the investment made by funds in infrastructure should not be linked to a reduction of funds, when a lack of completed projects was at issue.

RESOLVED THAT

- (i) That the Committee support the production of a Tri-Borough response to the call for evidence on the future structure of the LGPS based on the key themes set out in this report.
- (ii) That the Committee give formal support to the principle of a Collective Investment Vehicle for the Local Government Pension Scheme, subject to the receipt of further details of the operation, and agree to commit up to a maximum of £25,000 to the start up costs of the initiative.

100. PENSION FUND ANNUAL REPORT 2012/13 AND COMMUNICATION POLICY STATEMENT

Jonathan Hunt, Tri-Borough Director of Treasury and Pensions, introduced the report which set out the Annual Report for 2012/13 and Communication Policy. He said that a summary could be found on pages 263 and 264.

Councillor Iggulden asked about the issues identified in relation to admitted bodies. Mr. Hunt said that the issue was in relation to the liabilities that had been transferred to academies who had members in the Pension Fund (where support staff had transferred, for instance), and who would bear responsibility for those liabilities in the advent of an academy becoming insolvent. He said that the Department for Education had guaranteed the liabilities, with a caveat that the guarantee could be withdrawn. Mr. Hunt said that admitted bodies were those with staff with pension rights transferred under TUPE, and that fund members must continue to work for the Council to remain part of the fund.

RESOLVED THAT

The report be agreed, subject to the insertion of the final accounts.

101. P-SOLVE

The Chairman noted that P-Solve were not part of the framework agreement through which the Council would appoint its next Pension Investment Adviser. He thanked P-Solve for their work; he said that the relative performance of the fund was testament to the quality of their work.

RESOLVED THAT

A vote of thanks for P-Solve be recorded.

102. TREASURY REPORT 2012/13 OUTTURN

Jonathan Hunt, Tri-Borough Director of Treasury and Pensions, introduced the report, which set out Treasury Management activity in 2012-13.

Councillor Iggulden asked why the Council was holding larger than usual quantities of cash. Mr. Hunt said that it had been unable to match the proceeds of all asset disposals with expiring debt (or with debt that could be paid off early at economical rates). It was also the case that, as in S106 receipts, the cash was allocated to future spend.

Councillor Ivimy asked about the low rate of return achieved. Mr. Hunt said that his team were looking to make larger returns without significantly increasing risks, though changing the rules on counterparties to allow larger holdings, and the purchase of assets such as gilts and T-Bills through money market funds.

RESOLVED THAT

The report be noted.

103. COMBINED RISK MANAGEMENT HIGHLIGHT REPORT

Michael Sloniowski, BiBorough Risk Manager, introduced the report, which set out risk management activity during the period. He said that the report included case studies showing risk management in the Tri-Borough programme, noting the risks associated with significant change. He set out the structure of risks as they related to service departments within the programme, noting that the boroughs were moving to a consistent methodology with refined simplified reporting.

Councillor Iggulden asked about the risks relating to trade waste and the Western Riverside Waste Authority. Mr Sloniowski said that these related to income and throughput respectively.

RESOLVED THAT

The report be noted.

104. INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 APRIL TO 30 JUNE 2013

Geoff Drake, Chief Internal Auditor, introduced the report, which set out the internal audit work undertaken in the quarter to 30 June 2013. He summarised the position, saying that 3 limited assurance reports had been issued in the period, with all recommendations either implemented or scheduled for implementation; he said that 3 recommendations were now outstanding from 2012-13, due to issues relating to the timeframe.

With regards to Internal Audit performance , he said that 15% of the plan had been completed with 21% of the days worked; he considered the performance reasonable given the timing of the report and the changes made to the previous plan to provide increased focus on IT.

RESOLVED THAT

The report be noted.

105. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED THAT

The Committee agreed that, under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 7 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

106. FRAUD RESPONSE ACTION PLAN

RESOLVED THAT

The report be noted.

107. PARAMETERS FOR DECIDING ON PROSECUTIONS

RESOLVED THAT

The report be noted.

108. STAFF DISCRETIONARY POWERS

RESOLVED THAT


The report be noted.

Meeting started: 7.00 pm
Meeting ended: 9.50 pm

Chairman

Contact officer: Owen Rees
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Agenda Item 4

 the low tax borough	London Borough of Hammersmith & Fulham AUDIT, PENSIONS AND STANDARDS COMMITTEE 5 th December 2013
PENSION FUND ACTUARIAL VALUATION	
Report of the Executive Director of Finance and Corporate Governance	
Open Report	
Classification: For Information	
Key Decision: No	
Wards Affected: All	
Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance	
Report Author: Nicola Webb, Tri-Borough Pension Fund Officer	Contact Details: Tel: 020 7641 4331 E-mail: nwebb@westminster.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. The Pension Fund is required to obtain a triennial actuarial valuation as at 31st March 2013 and a certificate of employer contribution rates for the period 2014/15 to 2016/17. The Fund Actuary, Alison Hamilton of Barnett Waddingham, has prepared the initial results of this valuation and these are set out in Appendix 1.

2. RECOMMENDATIONS

- 2.1. That the Committee note the initial results of the 2013 actuarial valuation of the Pension Fund.

3. REASONS FOR DECISION

- 3.1. The Local Government Pension Scheme regulations require the Fund Actuary to determine the funding level of the Fund at the valuation date and set the employer contribution rates. Although she consults with the Committee and sets out the method and assumptions used through this report, the regulatory position is that it is her decision.

4. INTRODUCTION AND BACKGROUND

- 4.1. The Local Government Pension Scheme regulations require Pension Funds to obtain an actuarial valuation and a certificate of employer contribution rates on a three-yearly basis. The valuation is required to be carried out as at 31st March 2013 and the final version must be signed off by 31st March 2014.
- 4.2. Appendix 1 is the presentation of the initial results of the actuarial valuation for the Fund as a whole prepared by the Fund Actuary, Alison Hamilton of Barnett Waddingham.

5. PROPOSAL AND ISSUES

- 5.1. The initial results show that the overall funding level of the Fund has improved since the last valuation in 2010, increasing from 74% in 2010 to 83% in 2013. One of the key reasons for this improvement has been an investment return of 9.4% over the last three years compared to the 6.7% the actuary had expected. Other factors which contributed to the improvement were; pay increases of 0.9% compared to the actuary's assumption of 3.2% and more deaths in the intervalation period than had been assumed.
- 5.2. At the 2010 valuation, it was decided that the deficit would be recovered over 25 years. The actuary is recommending that this plan continues and so the deficit will be recovered over the remaining 22 years. However as the funding level has improved more than expected, the total annual contribution to the deficit from employers will reduce. The impact of this will vary by employer and for some the contribution may have to increase. Paragraph 10.1 outlines the expected position for the Council.
- 5.3. The results will be finalised over the coming months with the final valuation report signed off in March 2014 in time for the statutory deadline.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. See Appendix 1.

7. CONSULTATION

- 7.1. Not applicable.

8. EQUALITY IMPLICATIONS

- 8.1. Not applicable.

9. LEGAL IMPLICATIONS

9.1. Not applicable.

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. The current Hammersmith and Fulham budget for pension fund contributions is £19.508m (£10.213m regarding future service contributions and £9.294m regarding the past service deficit contributions). The Fund Actuary's proposals based on these initial results, will increase the future service contribution rate from 13.5% to 13.9% at an estimated cost of £0.303m. This is more than offset by a reduction in the past service deficit contribution of £0.794m. The expected net annual saving of £0.491m, from 2014/15, will be split between the General Fund (£0.357m), the Housing Revenue Account (£0.032m) and schools (£0.102m) in respect of non-teaching staff.

11. RISK MANAGEMENT

11.1. Not applicable.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable.

LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location

LIST OF APPENDICES:

Appendix 1: 2013 Actuarial Valuation Initial Results – Barnett Waddingham

Barnett
Waddingham



London Borough of Hammersmith and Fulham Pension Fund

2013 Actuarial Valuation Initial Results

alison.hamilton@barnett-waddingham.co.uk

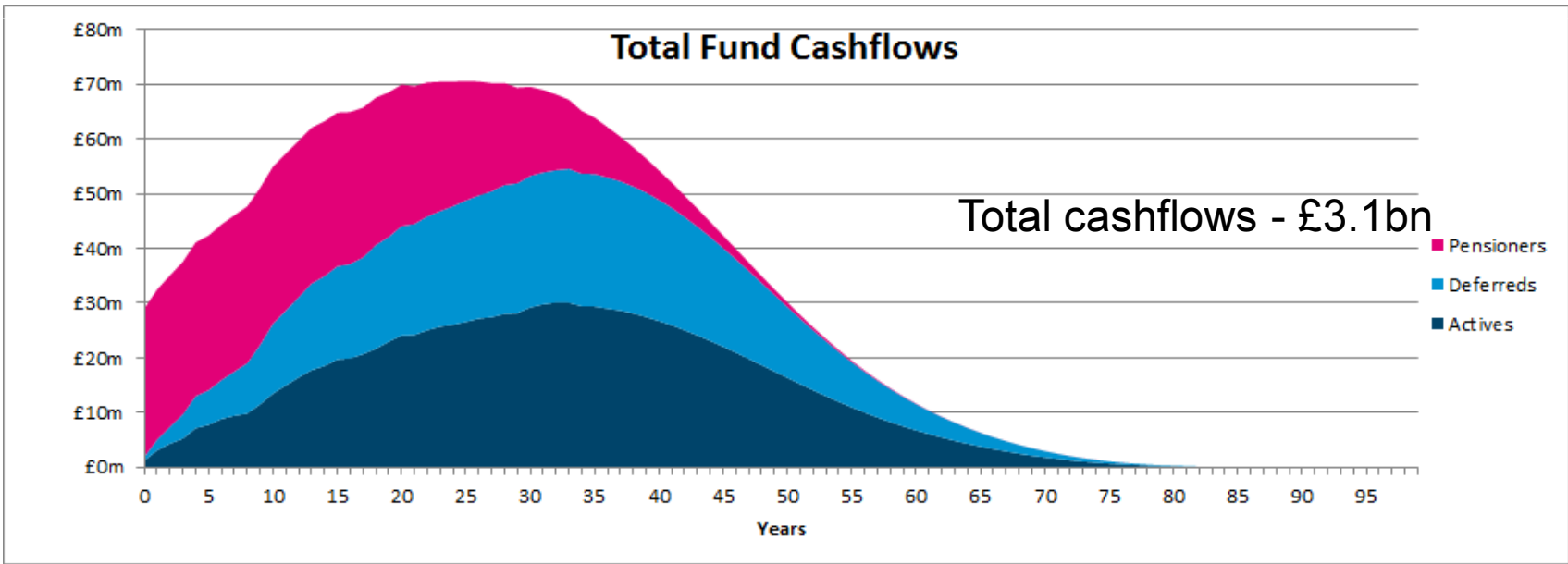
November 2013

Agenda

Purpose of valuations

Triennial Funding Valuation

How do we do it?



How do we do it?



Assumptions

Price Inflation (RPI)

- Usually difference between fixed interest and index linked gilts
- CPI adjustment required

Salary Increases

- Usually 1-2% pa more than price inflation
- Short term adjustment?

Discount rates

- Depends on purpose and objectives of valuation

Statistical assumptions

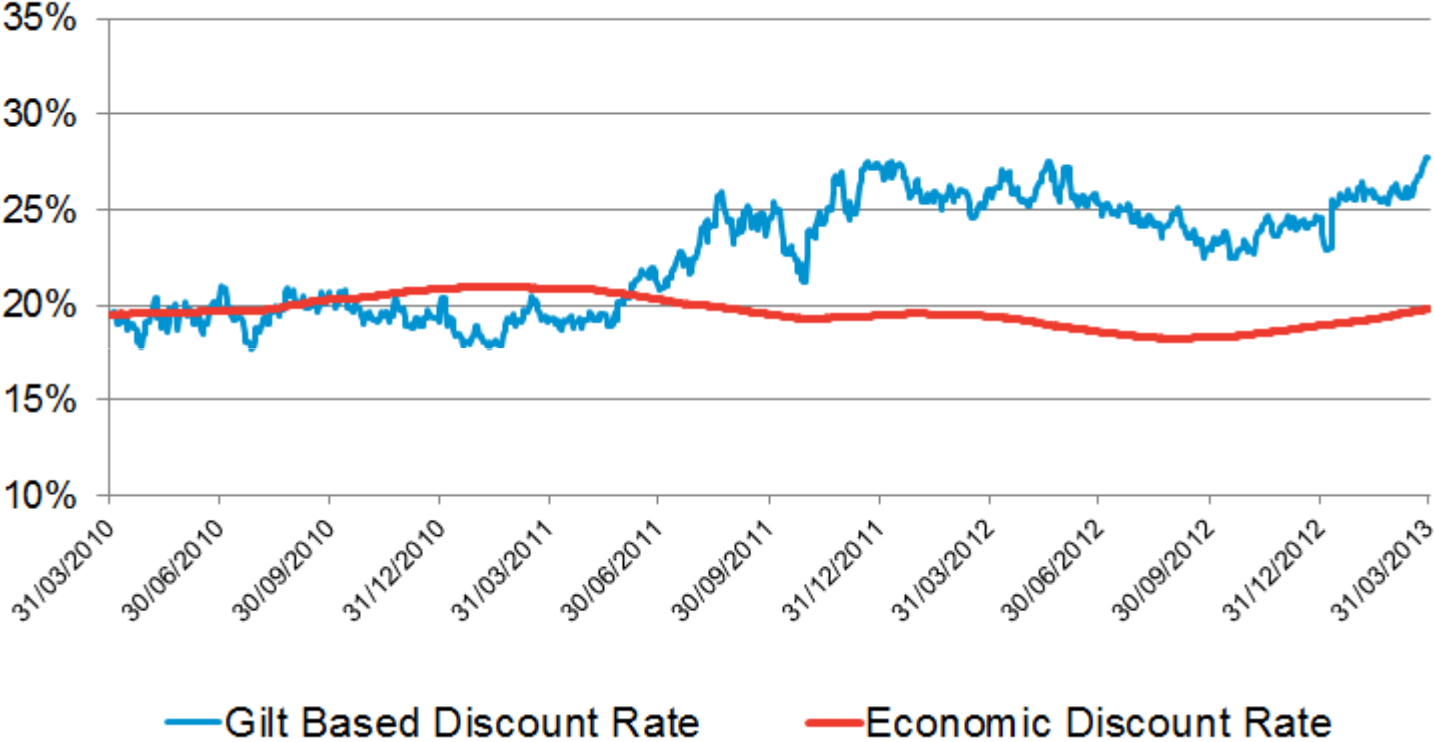
- Investigate past experience
- Use national data
- Adjust for actual experience

Discount Rates

Discount Rates

Change in Employer Contribution

Change in Average Employer Contribution



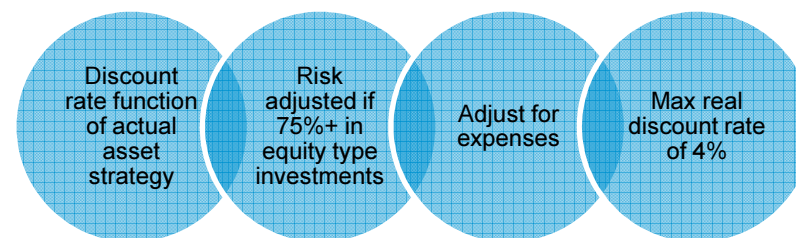
Financial Assumptions - Summary

Inflation	31 March 2013	31 March 2010
	%pa	%pa
Implied Inflation	3.5%	3.8%
Inflation Premium	-	(0.25%)
RPI assumption	3.5%	3.5%
CPI assumption	2.7%	3.0%

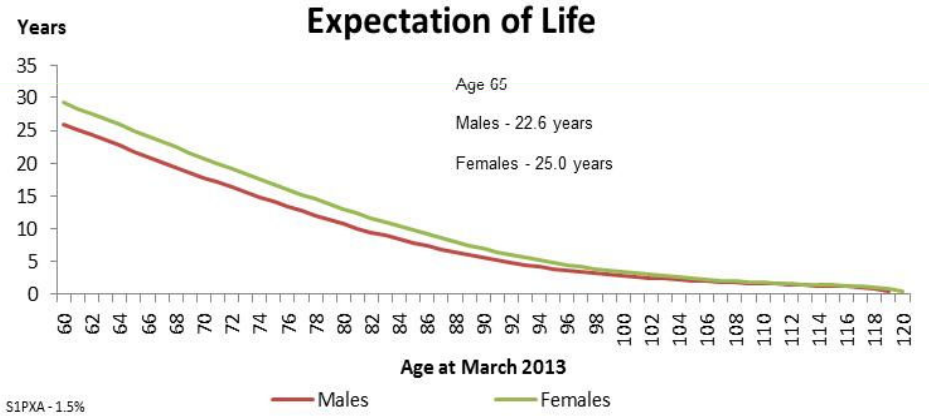
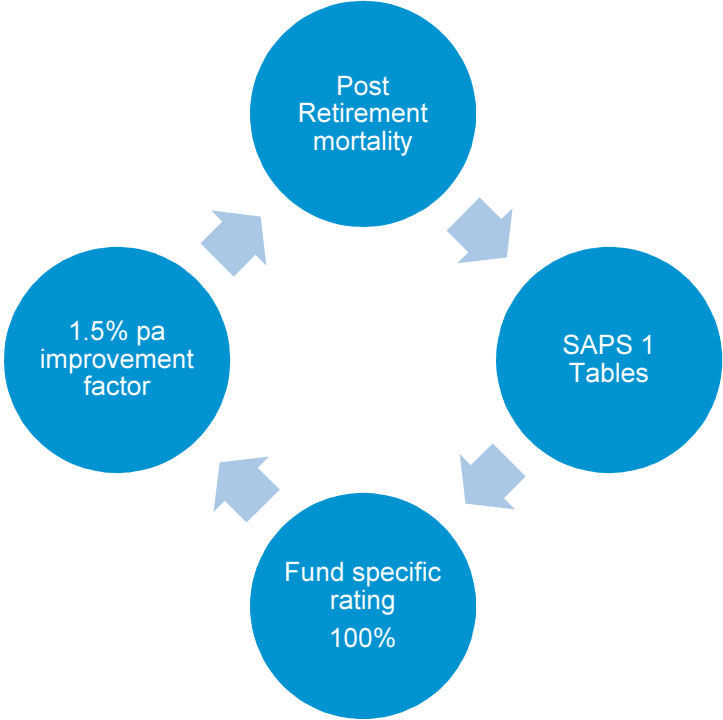
Smoothed Equity Returns	31 March 2013	31 March 2010
	%pa	%pa
Dividend Yield	3.4%	3.3%
Central Real Dividend Growth	-	0.5%
RPI assumption	3.5%	3.5%
Equity Return	6.9%	7.3%

Smoothed Investment Returns	31 March 2013	31 March 2010
Central Assumptions	%pa	%pa
Equity type investments	6.9%	7.3%
Gilt type investments	3.3%	4.5%
Bond type investments	3.9%	5.6%
Property type investments	6.0%	5.6%

Financial Assumptions	31 March 2013	31 March 2010
	%pa	%pa
Central Discount Rate	6.0%	6.7%
Pay Increases	4.5%	5.0%
Retail Price Inflation	3.5%	3.5%
Pension Increases	2.7%	3.0%

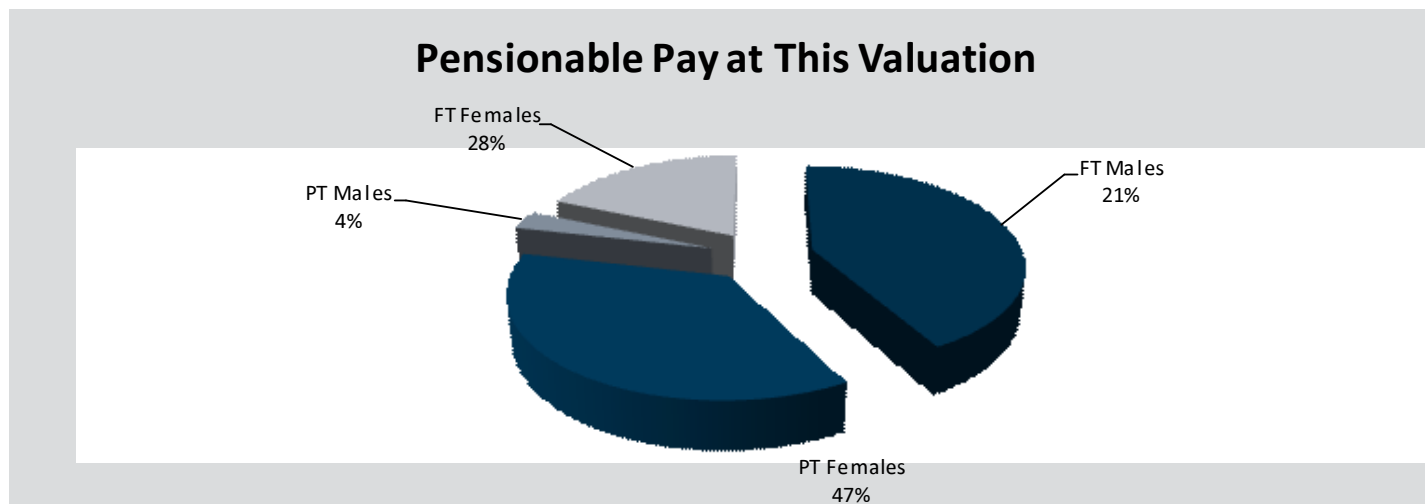


Statistical Assumptions



Valuation Data - Liabilities

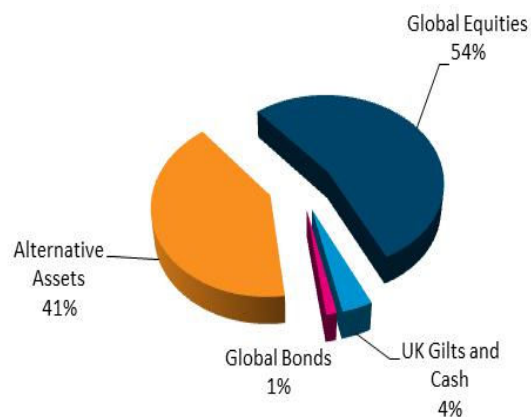
Key Stats					This Valuation	
Number of Members	2013	%	2010	%	Average Age	Average Retirement Age
Actives	3,834	26%	4,125	30%	47.1	64.4
Pensioners	4,384	29%	3,614	26%	69.9	-
Deferred Members	6,805	45%	6,032	44%	46.8	62.1
Total Members	15,023	100%	13,771	100%		
Actual Pay/Pensions		£ (000)	£ (000)	% Change		
Actives	93,822		107,704	(13%)		
Pensioners	27,167		20,538	32%		
Average Pay/Pensions		£	£	% Change		
Actives	24,471		26,110	(6%)		
Pensioners	6,197		5,683	9%		



Assets and Fund Accounts

Assets at This Valuation	£(000)
UK Equities	166,092
Overseas Equities	224,207
UK Gilts	14,398
Corporate Bonds	-
Overseas Bonds	9,357
Cash	12,553
Property	-
Other assets	-
Alternative assets	297,479
Total	724,086

Revenue Accounts	Year to	March 2013	March 2012	March 2011	TOTAL
		£ (000)	£ (000)	£ (000)	£ (000)
Expenditure		38,679	34,638	32,439	105,756
Income		31,192	32,066	39,279	102,537
Net income		(7,487)	(2,572)	6,840	(3,219)
Investment Income		7,132	6,224	4,676	18,032
Cashflow movement		(355)	3,652	11,516	14,813
Fund Value					
Assets at start of year		638,640	595,718	554,314	
Cashflow movement		(355)	3,652	11,516	14,813
Change in value		85,801	39,270	29,888	154,959
Assets at end of year		724,086	638,640	595,718	724,086
Annual Returns					
Approx rate of return (per annum)		14.6%	7.7%	6.2%	9.4%



- Investment return one of the highest amongst LGPS Funds over the inter-valuation period.
- Average return across the Funds we have so far advised approximately 8% p.a.

Intervaluation Experience

Intervaluation Experience		
	Actual	Expected
Investment Return	9.4% pa	6.7% pa
Pay Increases **	0.9% pa	3.2% pa
Pension Increases	3.5% pa	3.0% pa
Deaths	345	317
Pension Ceasing	£1,655k	£1,743k

** includes short term overlay. Calculation based only on members present throughout the entire intervaluation period and thus avoids distortion arising from member movements in and out of the Fund.

Valuation Results

Last Valuation

- The published 2010 results

Intervaluation

- Changes in financial conditions and actual experience

Revised Assumptions

- Pay increases, retirement age, pre retirement leavers and post retirement mortality

LGPS 2014

- New scheme benefits from 2014

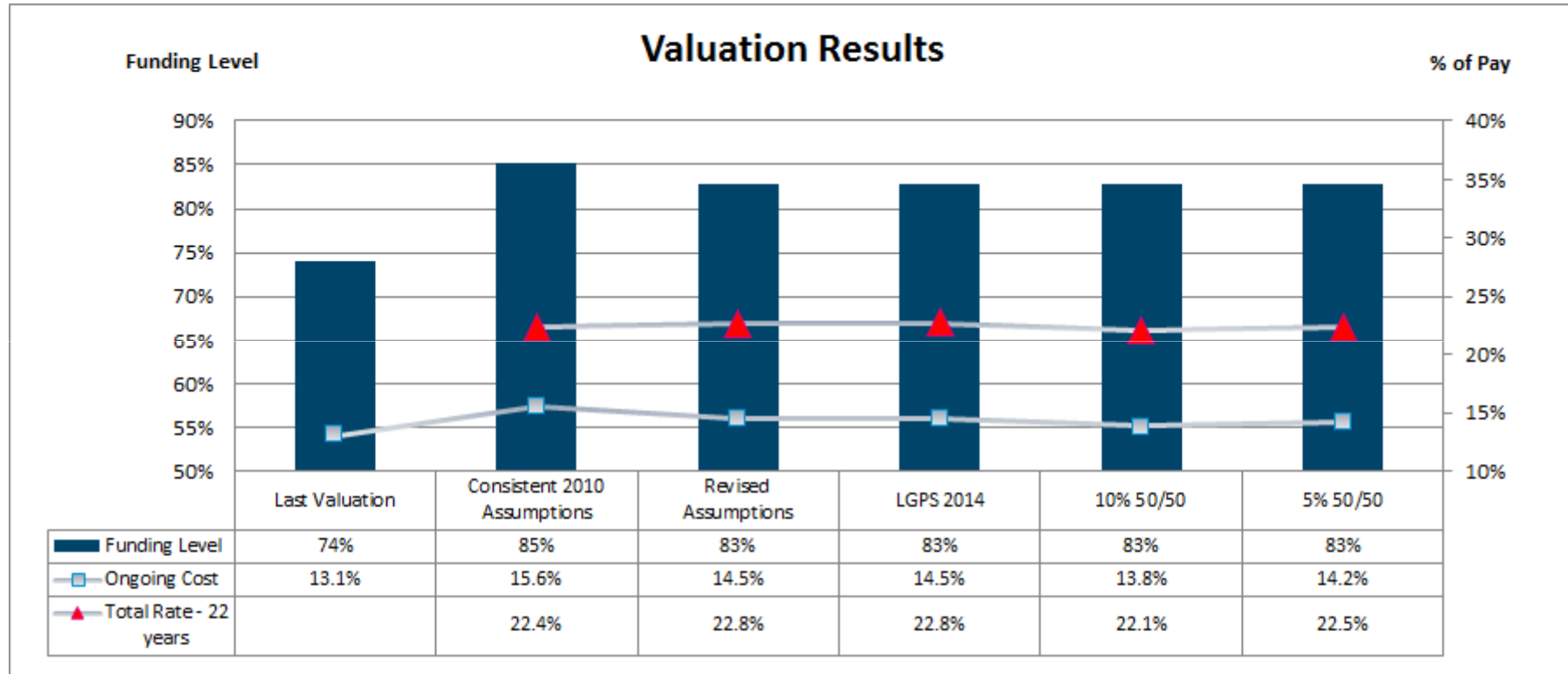
10% 50/50

- Assume 10% of members opt for 50/50 scheme

5% 50/50

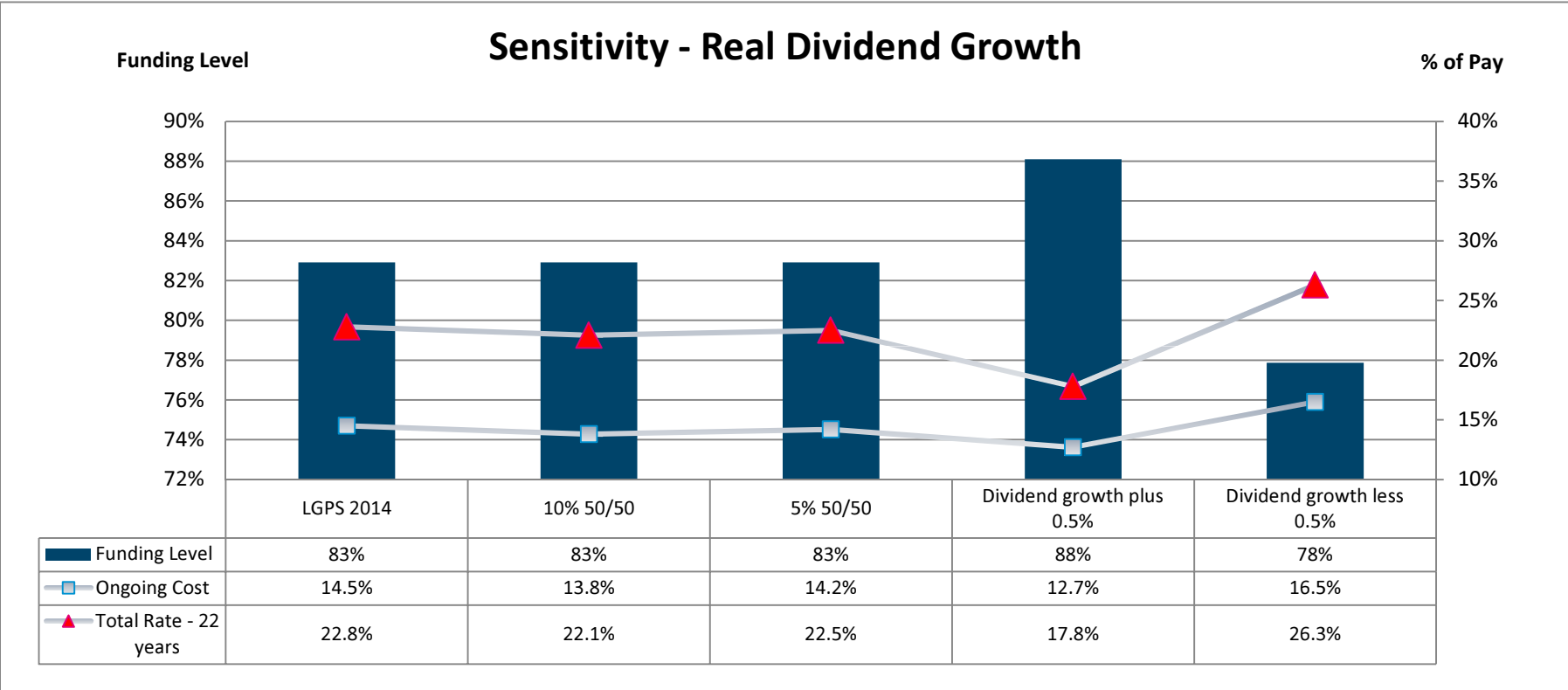
- Assume 5% of members opt for 50/50 scheme

Valuation Results – Whole Fund

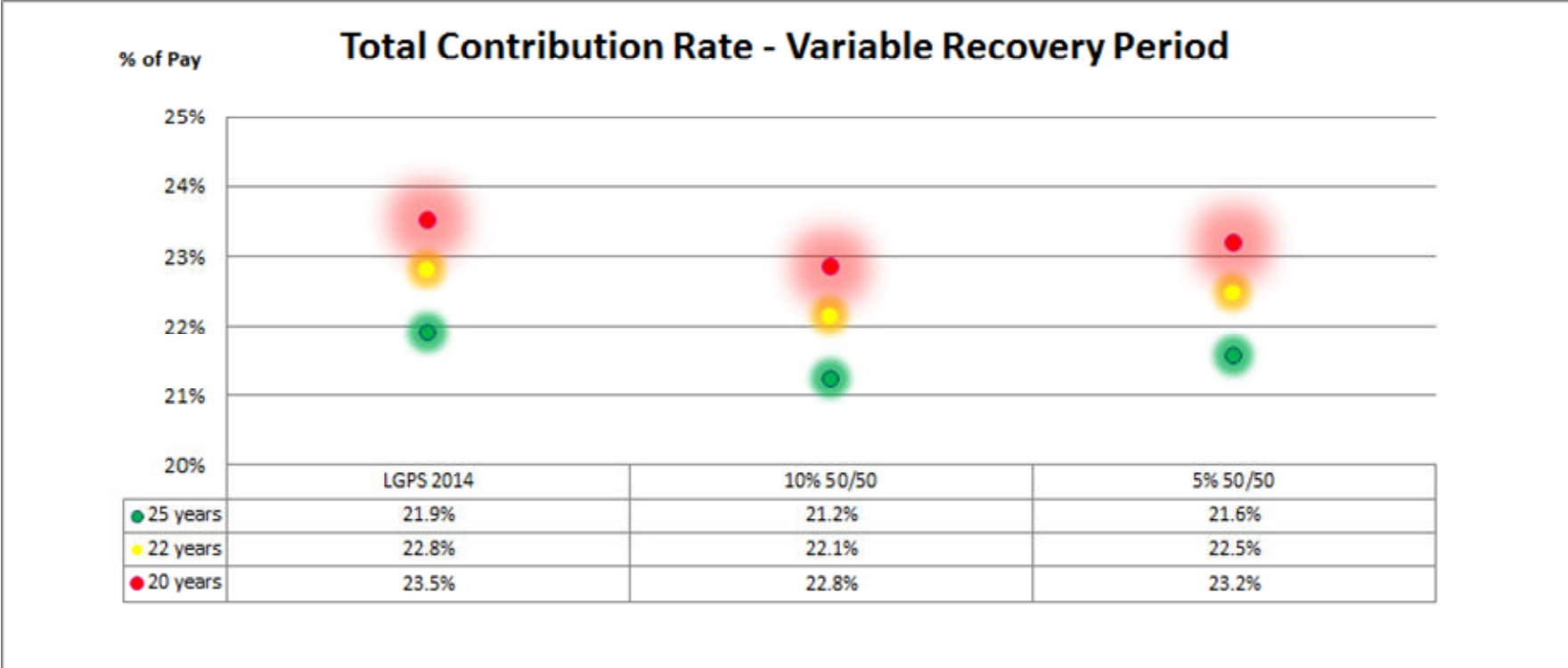


Valuation Results – Whole Fund

Page 30



Valuation Results – Whole Fund

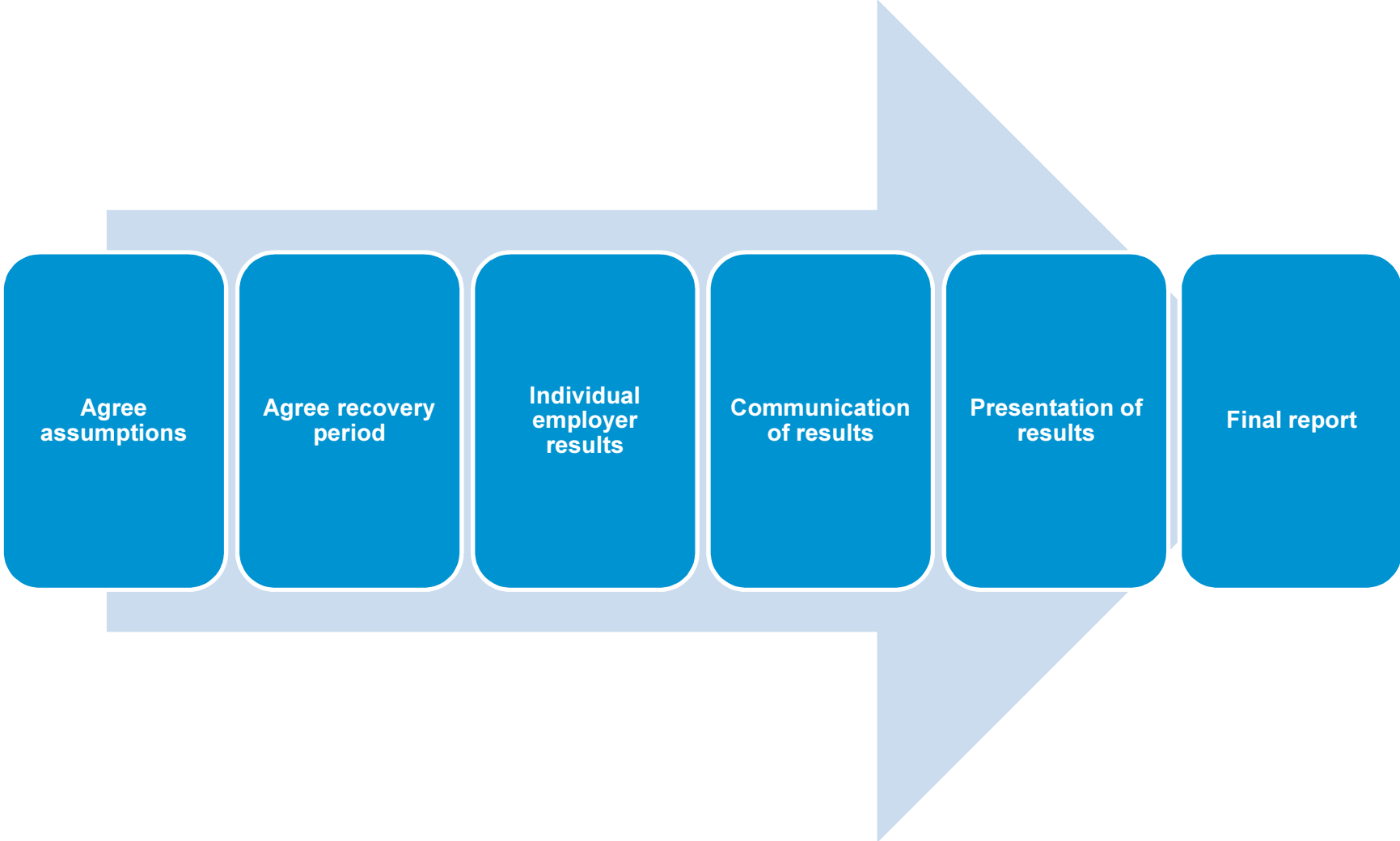


Major Employers Results – LBHF including HF Homes

Valuation Date	31 March 2010	31 March 2013	31 March 2013	31 March 2013
Description	LGPS 2008	LGPS 2014	LGPS 2014 with 10% 50/50	LGPS 2014 with 5% 50/50
Past Service Funding Position	£(000)	£(000)	£(000)	£(000)
Smoothed Asset Value	472,984	629,557	629,557	629,557
Value of Scheme Liabilities	659,643	791,280	791,280	791,280
Surplus (Deficit)	(186,659)	(161,723)	(161,723)	(161,723)
Funding Level	72%	80%	80%	80%
Future Service Contribution Rates	% of payroll	% of payroll	% of payroll	% of payroll
Employer	13.5%	14.2%	13.5%	13.9%
Deficit Contribution	% of payroll	% of payroll	% of payroll	% of payroll
25 years	11.2%	9.8%	9.8%	9.8%
22 years		10.9%	10.9%	10.9%
20 years		11.8%	11.8%	11.8%
Total Employer Contribution	% of payroll	% of payroll	% of payroll	% of payroll
25 years	24.7%	24.0%	23.3%	23.7%
22 years		25.1%	24.4%	24.8%
20 years		26.0%	25.3%	25.7%
Deficit Contribution	£(000)	£(000)	£(000)	£(000)
25 years	9,290	7,600	7,600	7,600
22 years		8,500	8,500	8,500
20 years		9,200	9,200	9,200
Total Contributions	£(000)	£(000)	£(000)	£(000)
22 years		19,600	19,000	19,300
Interest on Deficit	£(000)	£(000)	£(000)	£(000)
	12,500	9,400	9,400	9,400

Current employer rate is 24.7%
Some stepping applied for HF Homes

Next Steps



Appendix 1 – Detailed Valuation Data

Active Members		Number		Actual Pensionable Pay £ (000)		Average £		This Valuation	
Full Time	2013	2010	2013	2010	2013	2010	Average Age	Average Retirement Age	
Males	1,168	1,339	39,340	46,764	33,682	34,925	48.0	63.9	
Females	986	1,164	34,337	40,224	34,824	34,557	46.3	64.1	
Part Time									
Males	207	244	2,762	3,358	13,342	13,762	46.7	65.1	
Females	1,473	1,378	17,384	17,358	11,802	12,597	46.7	64.8	
Total	3,834	4,125	93,822	107,704	24,471	26,110	47.1	64.4	

Pensioners		Number		Annual Pensions £ (000)		Average £		This Valuation	
	2013	2010	2013	2010	2013	2010	Average Age	Average Retirement Age	
Males	1,755	1,399	14,798	11,314	8,432	8,087	69.0		
Females	2,044	1,626	10,687	7,578	5,229	4,661	70.2		
Dependants	585	589	1,682	1,646	2,875	2,795	72.0		
Total	4,384	3,614	27,167	20,538	6,197	5,683	69.9		

Deferred Pensioners (including "undecideds")		Number		Annual Pensions £ (000)		Average £		This Valuation	
	2013	2010	2013	2010	2013	2010	Average Age	Average Retirement Age	
Males	2,574	2,380	6,518	5,455	2,532	2,292	47.4	61.9	
Females	4,231	3,652	7,619	5,864	1,801	1,606	46.4	62.1	
Total	6,805	6,032	14,137	11,319	2,077	1,876	46.8	62.1	

Appendix 2 - Detailed Valuation Results

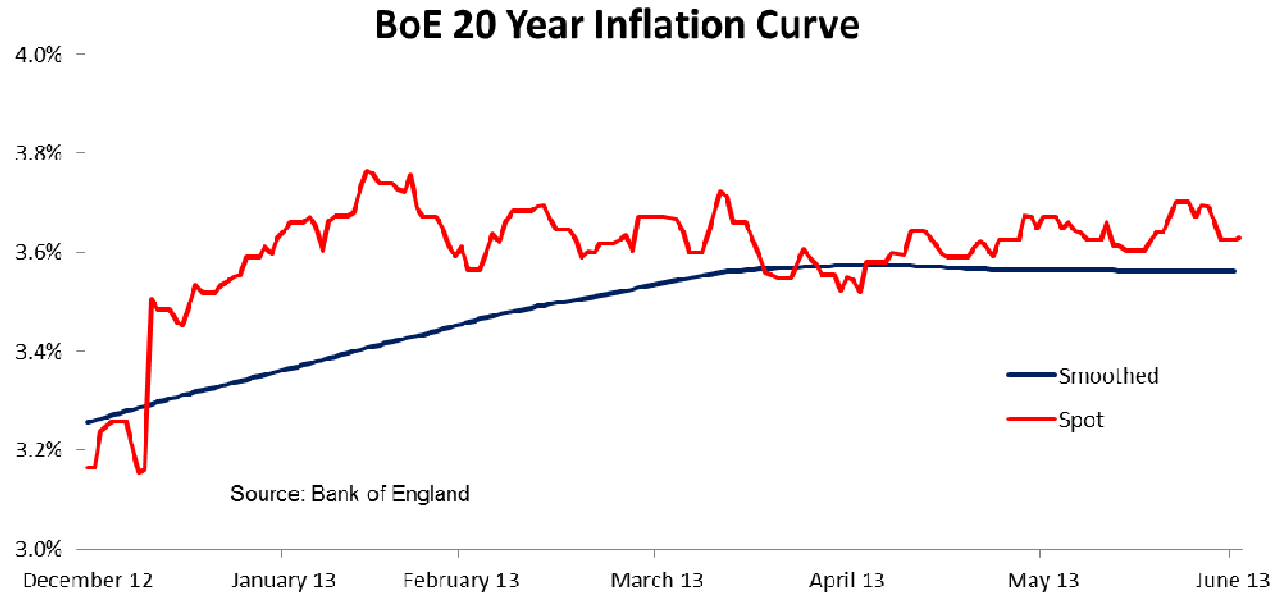
Valuation Date	31 March 2010	31 March 2013	31 March 2013	31 March 2013	31 March 2013	31 March 2013
Description	Last Valuation	Consistent 2010 Assumptions	Revised Assumptions	LGPS 2014	10% 50/50	5% 50/50
Past Service Funding Position	£(000)	£(000)	£(000)	£(000)	£(000)	£(000)
Smoothed Asset Value	531,719	715,915	715,915	715,915	715,915	715,915
Past Service Liabilities						
Active Members	248,701	258,571	249,954	249,954	249,954	249,954
Deferred Pensioners	128,702	201,378	210,325	210,325	210,325	210,325
Pensioners	340,452	379,537	403,549	403,549	403,549	403,549
Value of Scheme Liabilities	717,855	839,486	863,828	863,828	863,828	863,828
Surplus (Deficit)	(186,136)	(123,571)	(147,913)	(147,913)	(147,913)	(147,913)
Funding Level	74%	85%	83%	83%	83%	83%
Future Service Contribution Rates	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll
Employer	13.1%	15.6%	14.5%	14.5%	13.8%	14.2%
Deficit Contribution	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll
25 years	8.4%	6.1%	7.4%	7.4%	7.4%	7.4%
22 years		6.8%	8.3%	8.3%	8.3%	8.3%
20 years		7.4%	9.0%	9.0%	9.0%	9.0%
Total Employer Contribution	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll
25 years	21.5%	21.7%	21.9%	21.9%	21.2%	21.6%
22 years		22.4%	22.8%	22.8%	22.1%	22.5%
20 years		23.0%	23.5%	23.5%	22.8%	23.2%
Deficit Contribution	£(000)	£(000)	£(000)	£(000)	£(000)	£(000)
25 years	9,000	5,700	6,900	6,900	6,900	6,900
22 years		6,400	7,800	7,800	7,800	7,800
20 years		6,900	8,400	8,400	8,400	8,400
Total Contributions	£(000)	£(000)	£(000)	£(000)	£(000)	£(000)
25 years	23,200	20,300	20,500	20,500	19,900	20,200
Interest on Deficit	£(000)	£(000)	£(000)	£(000)	£(000)	£(000)
	12,500	7,800	8,900	8,900	8,900	8,900

Appendix 3 – Reconciliation of Results Last Valuation to LGPS 2014

Change in Past Service Position			
	£(000)	£(000)	£(000)
Surplus(Deficit) at 31 March 2010			(186,136)
Benefits Accrued	(55,188)		
Early Retirements	(4,888)		
Contributions Paid	92,209		
Deficit Funded (Use of Surplus)		32,133	
Interest cost	(39,974)		
Asset gain/loss	80,903		
Change in Market Conditions	(51,476)		
Financial Gain(Loss)		(10,547)	
Salary Increases	19,426		
Pension Increases	(6,980)		
Membership Movements	26,100		
Experience		38,546	
Change in assumptions		(21,908)	
Surplus(Deficit) at 31 March 2013			(147,913)

Change in Future Service Contribution Rate (10% 50/50)		
	% of pay	% of pay
Average Employer Rate at 31 March 2010		13.1%
Change in membership	0.44%	
Change in financial conditions	2.01%	
Change in assumptions	(1.12%)	
LGPS 2014	0.03%	
10% in 50/50 Scheme	(0.67%)	
Average Employer Rate at 31 March 2013		13.8%

Assumptions – Inflation RPI



Spot inflation number was 3.60% and the smoothed number was 3.54%

Assumptions – Inflation (CPI)

CPI usually less than RPI

- Formula effect and what's in the basket

Formula effect

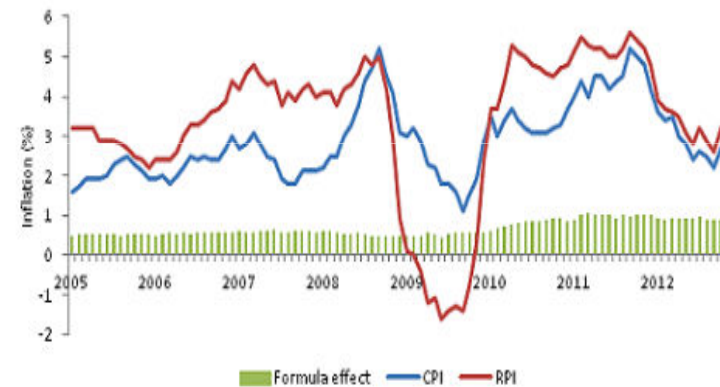
- 0.5% until 2010
- 0.8% since then
- “ladies clothing effect”

RPI and CPI “baskets” expected to converge

- Formula effect only

Assumed 0.8% less than RPI

- Consistent with CPI swap market



Source: Office for National Statistics

Assumptions – Inflation (Pay)

Longer term

- 1% to 1.5% above RPI

Shorter term

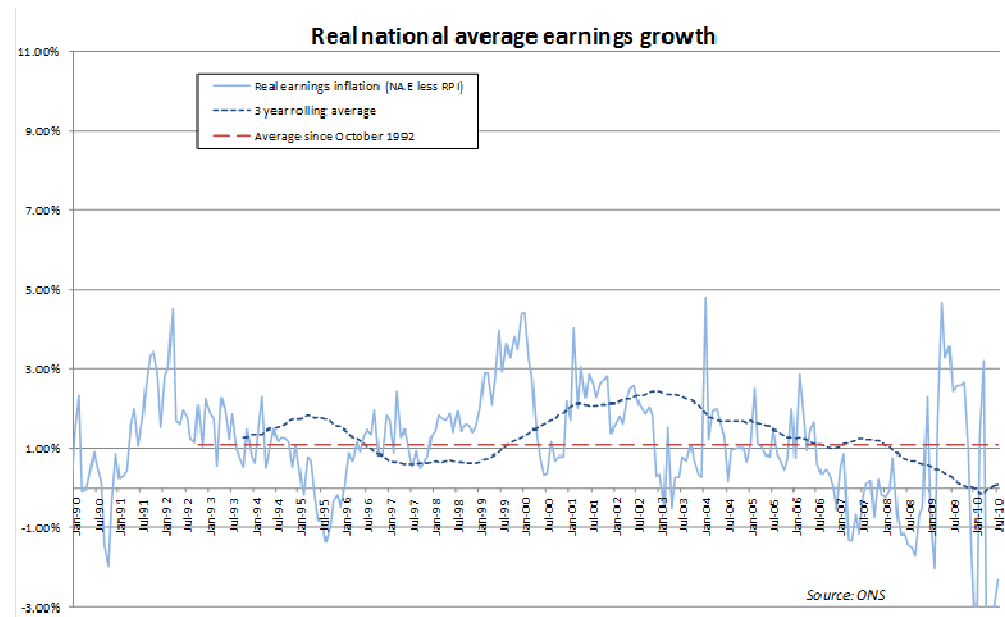
- Closer to 1%
- Negative in recent years

Assumed RPI plus 1.0%

- Equivalent of CPI plus 1.8%
- Less than at 2010

Short term overlay

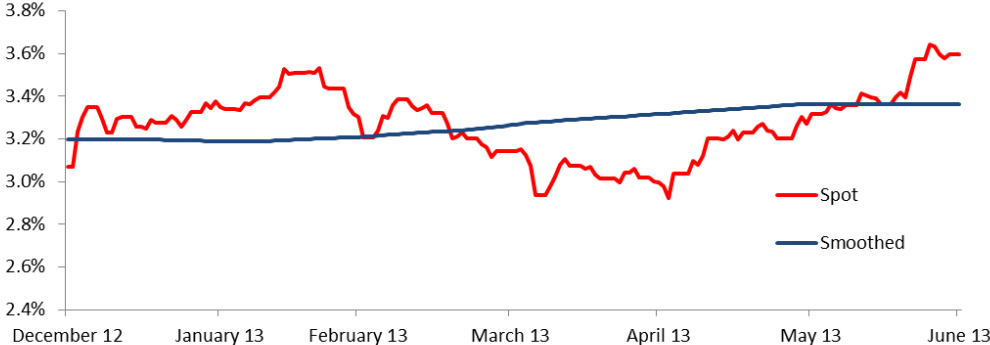
- CPI for next 2 years



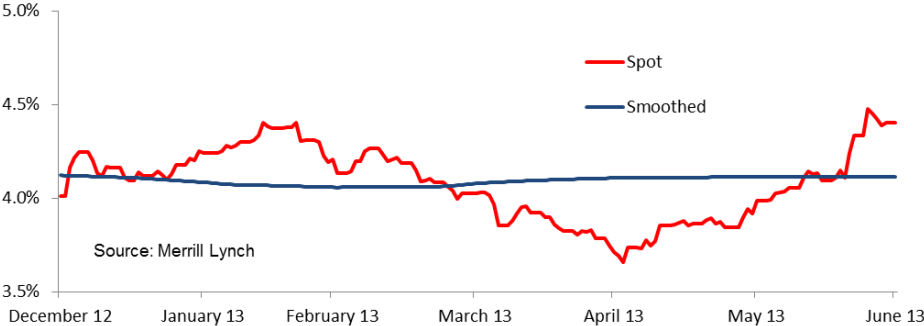
Gilt and Bond Returns

Spot Yield
3.14%
Smoothed Yield
3.27%

Over 20 year Gilts



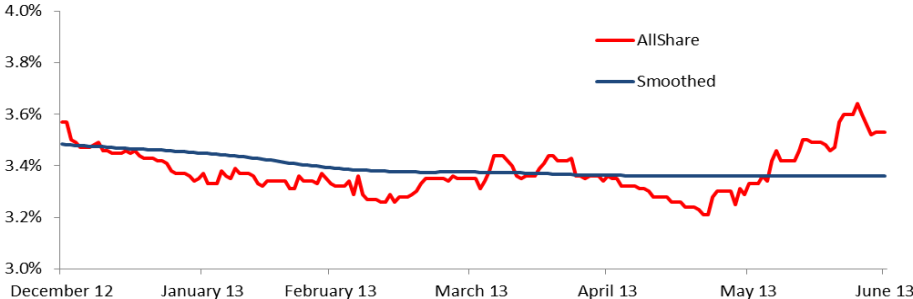
Over 15 Year Bonds



Spot Yield
4.03%
Smoothed Yield
4.08%

Equity Returns

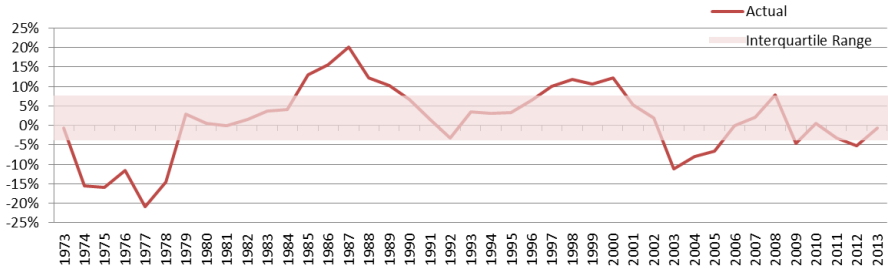
Equity Dividend Yield



Spot Yield
3.35%
Smoothed Yield
3.38%

Average of 1% more than RPI pa
Central Assumption of 0% over RPI

UK Equity Real Capital Returns - Rolling 5 Year Averages (% p.a.)



Equity Return (Central Assumption)



3.38% + 0.0% + 3.54% = 6.92%

Discount Rates / Equity Returns

Gilt Plus models

“Risk based” approach based on alleged tPR approach

- Doesn't apply to LGPS!

Value liabilities on minimum risk gilts basis

- Increase risk factor via fixed risk premium
- Discount rate then gilts plus something
- Based on asset strategy and employer covenant
- Seems quite sensible and nice and simple

But liability values then behave like gilts

- Potential for lots of volatility
- Equities and gilts not well correlated especially in short term

Problems with quantitative easing

- BoE making pensions “more expensive”
- Government taking an interest

Discount Rates / Equity Returns

Our economic model

- Been using and developing for 15 years
- Specifically designed for LGPS

Assumes equity returns function of

- Dividend income plus
- Economic/dividend growth

Returns then risk adjusted

- If more than 75% in equities
- Minimum and maximum real discount rates as well


Valuation results assessed over 6 month period spanning valuation date

- Essentially some smoothing
- Helps meet stability objective

More complex model

- But more robust and stable valuation results

Agenda Item 5

 the low tax borough	London Borough of Hammersmith & Fulham AUDIT, PENSIONS AND STANDARDS COMMITTEE 5 th December 2013
PENSION FUND VALUE AND INVESTMENT PERFORMANCE	
Report of the Executive Director of Finance and Corporate Governance	
Open Report	
Classification: For Information	
Key Decision: No	
Wards Affected: All	
Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance	
Report Author: Nicola Webb, Tri-Borough Pension Fund Officer	Contact Details: Tel: 020 7641 4331 E-mail: nwebb@westminster.gov.uk

1. EXECUTIVE SUMMARY

1.1. This report prepared by P-Solve, provides details of the performance and market value of the Council's Pension Fund investments for the quarter ending 30th September 2013. It is attached as Appendix 1.

2. RECOMMENDATIONS

2.1. To note the report.

3. REASONS FOR DECISION

3.1. Not applicable.

4. INTRODUCTION AND BACKGROUND

4.1. Not applicable.

5. PROPOSAL AND ISSUES

5.1. Not applicable.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. Not applicable.

7. CONSULTATION

7.1 Not applicable.

8. EQUALITY IMPLICATIONS

8.1. Not applicable.

9. LEGAL IMPLICATIONS

9.1. Not applicable.

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1 Not applicable.

11. RISK MANAGEMENT

11.1. Not applicable.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Quarterly Fund Manager reports	Nicola Webb 020 7641 4331	16 th Floor, Westminster City Hall

LIST OF APPENDICES:

Appendix 1: P-Solve Quarterly report for quarter ended 30th September 2013



Investment Governance Report – Quarter 3 2013

This report is addressed to the Audit & Pensions Committee of the London Borough of Hammersmith & Fulham Pension Fund only.

– Not for onward distribution

Summary

The assets of the Fund are considered in terms of four broadly equally weighted sections: UK Equity Mandate, Overseas Equity Mandate, Dynamic Asset Allocation Mandates and the Matching Fund.

The UK Equity Mandate is managed by Majedie and the Overseas Equity Mandate by MFS. There are two Dynamic Asset Allocation managers, Barings and Ruffer. The Matching Fund is split equally between a global bond mandate managed by Goldman Sachs and a Liability Driven Investment (LDI) fund managed by Legal & General. With the exception of the LDI fund, all others are actively managed by fund managers who aim to meet or exceed their stated benchmark.

Liability Benchmark (LB)

To match the predicted growth in the liabilities, the Total Fund return needs to meet a return equivalent to the Liability Benchmark plus 2.2% p.a. (net of fees). The Total Fund strategy aims to exceed this and targets a return 2.5% p.a. (net of fees) in excess of the Liability Benchmark. Within this, the Matching Fund is targeting a return of 1% p.a. in excess of the Liability Benchmark.

The liabilities move in accordance with changes in relevant gilt yields. For this reason, the benchmark used to measure the estimated movement in liabilities, the "Liability Benchmark" is calculated based on the movement of a selection of Index-Linked gilts, in the following proportions:

45% Index-linked Treasury Gilt 1½% 2017, 20% Index-linked Treasury Gilt 1½% 2027, 10% Index-linked Treasury Gilt 1½% 2037, 5% Index-linked Treasury Gilt 0¾% 2047, 20% Index-linked Treasury Gilt 1½% 2055.

This Liability Benchmark was last reviewed in December 2011.

Manager Benchmarks

Each Investment Manager has a benchmark which they are monitored against on an ongoing basis. These are:

Majedie	<i>FTSE All Share + 2% p.a. over three year rolling periods</i>
MFS	<i>MFS Custom Benchmark</i>
Barings	<i>3 month Sterling LIBOR + 4% p.a.</i>
Ruffer	<i>3 month Sterling LIBOR + 4% p.a.</i>
Goldman Sachs	<i>3 month Sterling LIBOR + 2% p.a.</i>
Legal & General	<i>Bespoke liability related benchmark (2 x LB - 3 month Sterling LIBOR)</i>

Private Equity

Additionally, the Panel has agreed to invest up to £15 million in four private equity fund of funds. Two managed by Invesco, which has approximately 75% invested in the United States and 25% in Europe, and the other two by Unicapital which is invested almost entirely in Europe.

Performance Overview

3

Breakdown of Fund Performance by Manager as at 30th September 2013

Fund	Manager	Market Value (£000)	% of Total Fund	Target % of Total Fund	3 month return (%)	1 year return (%)	2 year return (%) p.a.	3 year return (%) p.a.	5 year return (%) p.a.
Total Fund		737,020	100.0	100.0	3.2	17.6	14.6	10.5	11.4
	<i>New Liability Benchmark + 2.2% p.a.</i>				1.1	8.1	7.7	9.8	8.4
	<i>Difference</i>				2.1	9.5	6.9	0.7	3.0
UK Equity Mandate		194,712	26.4	22.5					
	Majedie				9.1	32.2	23.9	16.3	16.2
	<i>FTSE All Share + 2% p.a.</i>				6.1	21.3	20.4	12.3	12.9
	<i>Difference</i>				3.0	10.9	3.5	4.0	3.3
Overseas Equity Mandate		174,068	23.6	22.5					
	MFS				2.0	19.1	19.4	12.1	12.6
	<i>MFS Custom Benchmark</i>				1.6	17.3	18.2	10.1	11.2
	<i>Difference</i>				0.4	1.8	1.2	2.0	1.4
Dynamic Asset Allocation Mandates		204,076	27.7	30.0	1.0	10.0	7.7	6.2	-
	Barings	123,375	16.7	18.8	1.4	7.2	6.8	5.7	8.7
	<i>3 month Sterling LIBOR + 4% p.a.</i>				1.1	4.5	4.8	4.8	5.0
	<i>Difference</i>				0.3	2.7	2.0	0.9	3.7
	Ruffer	80,701	10.9	11.2	0.4	14.4	8.9	6.8	12.8
	<i>3 month Sterling LIBOR + 4% p.a.</i>				1.1	4.5	4.8	4.8	5.0
	<i>Difference</i>				(0.7)	9.9	4.1	2.0	7.8
Matching Fund		151,809	20.6	25.0	1.1	11.4	8.3	7.5	-
	<i>Liability Benchmark + 1% p.a.</i>				0.8	6.8	6.5	8.6	-
	<i>Difference</i>				0.3	4.6	1.8	(1.1)	-
	Goldman Sachs	63,867	8.7	12.5	1.1	4.3	4.7	3.0	3.0
	<i>3 month Sterling LIBOR + 2% p.a.</i>				0.6	2.5	2.7	2.8	1.5
	<i>Difference</i>				0.5	1.8	2.0	0.2	1.5
	Legal & General	87,941	11.9	12.5	1.1	17.1	11.1	11.3	9.6
	<i>Bespoke liability related benchmark (2 x LB - 3 month Sterling LIBOR)</i>				0.9	10.6	13.4	17.7	12.5
	<i>Difference</i>				0.2	6.5	(2.3)	(6.4)	(2.9)
Private Equity		12,355	1.7	0.0	(3.9)	10.7	9.7	12.7	-
	Invesco	6,376	0.9	0.0	(5.3)	9.8	12.2	15.2	-
	Unicapital	5,979	0.8	0.0	(2.2)	11.8	6.5	9.5	-

Notes:

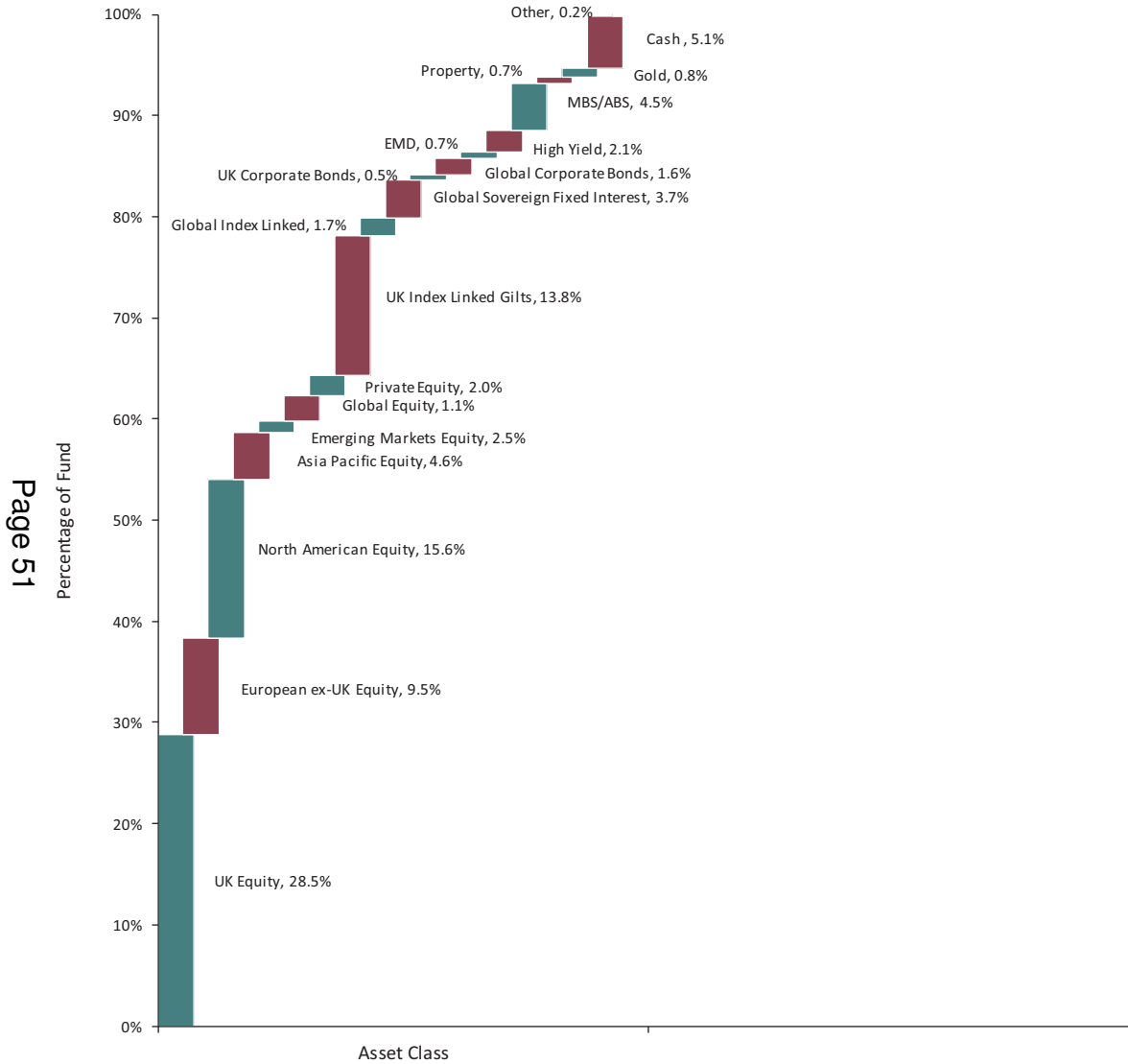
- 1) Over the 3 months to 30 September 2013, 3 month LIBOR returned 0.1%, over a 12 month period the return was 0.5%.
- 2) All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.
- 3) Returns are shown gross of fees throughout.
- 4) Figures may be affected by rounding.

Asset Reconciliation and Valuation

Asset Reconciliation and Valuation										
Fund	Manager	Closing Market Value as at 30th June 2013 £000	% of Total Fund	Net Investment £000	Appreciation £000	Income Received £000	Fees £000	Closing Market Value as at 30th September 2013 £000	% of Total Fund	Target % of Total Fund
Total Fund		715,212	100.0	(900)	22,704	2,510	3	737,020	100.0	100.0
UK Equity Mandate	Majedie	178,517	25.0	-	16,195	1,677	-	194,712	26.4	22.5
Overseas Equity Mandate	MFS	170,689	23.9	(3)	3,379	501	3	174,068	23.6	22.5
Dynamic Asset Allocation Mandates		202,068	28.3	-	2,008	335	-	204,076	27.7	30.0
	Barings	121,661	17.0	-	1,714	31	-	123,375	16.7	18.8
	Ruffer	80,407	11.2	-	294	304	-	80,701	10.9	11.2
Matching Fund		150,167	21.0	-	1,641	0	-	151,809	20.6	25.0
	Goldman Sachs	63,202	8.8	-	666	-	-	63,867	8.7	12.5
	Legal & General	86,966	12.2	-	975	0	-	87,941	11.9	12.5
Private Equity		13,770	1.9	(896)	(519)	(3)	-	12,355	1.7	0.0
	Invesco	7,656	1.1	(896)	(384)	0	-	6,376	0.9	0.0
	Unicapital	6,114	0.9	-	(135)	(3)	-	5,979	0.8	0.0

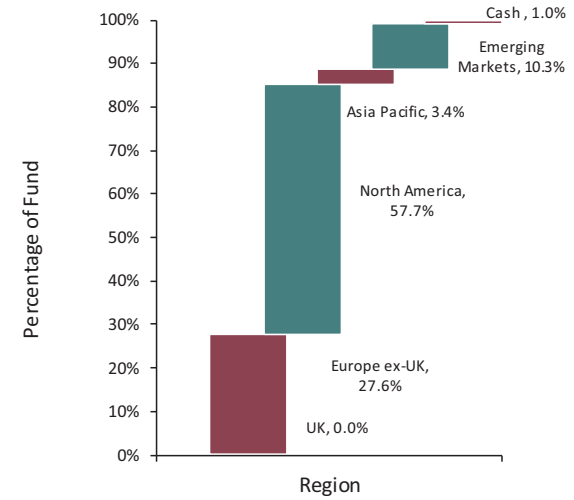
Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. Figures may be affected by rounding.

Asset Class Breakdown as at 30 September 2013

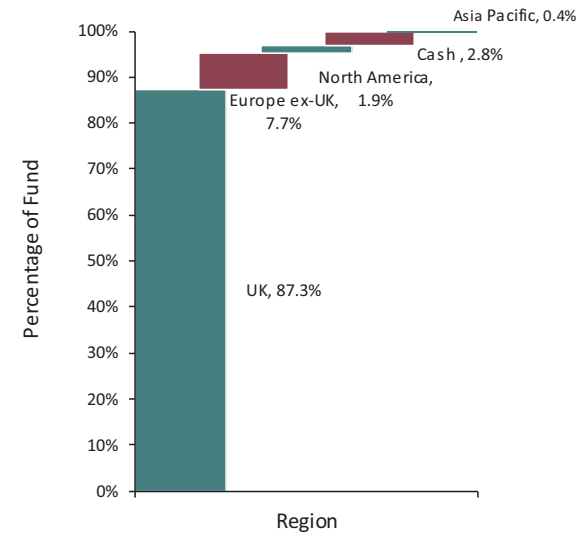


Notes: Breakdown has been estimated by P-Solve based on the available manager data.

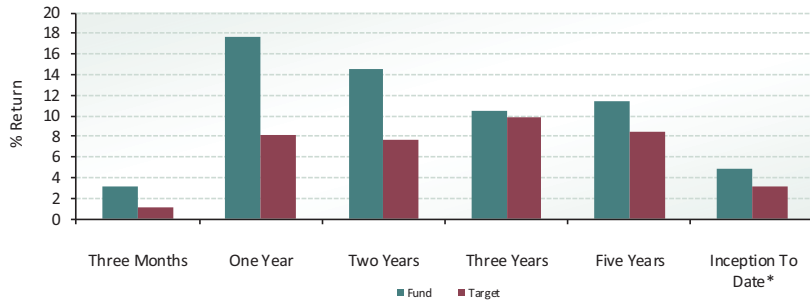
Breakdown of the MFS mandate



Breakdown of the Majedie mandate



Historical Fund Performance

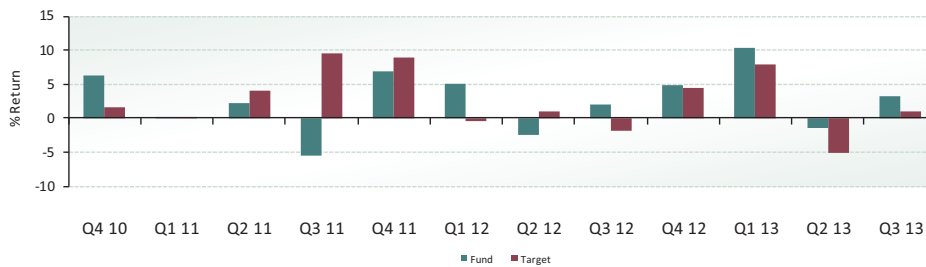


	Three Months	One Year	Two Years	Three Years	Five Years	Inception To Date*
Fund	3.18	17.64	14.56	10.49	11.36	4.77
Target	1.06	8.06	7.73	9.81	8.44	3.18

The Fund outperformed its liability benchmark by 2.12% over the quarter, returning 3.18% compared to the target of 1.06%. The Fund's performance of 17.64% over the year was ahead of its target by 9.58%. The Fund has outperformed over 3, 5 years and since inception by 0.68%, 2.92% and 1.59% per annum respectively.

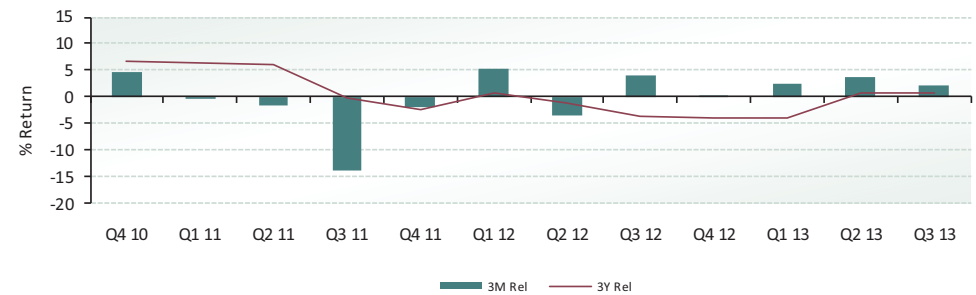
*Incepted 31 December 1999

Three Years Rolling Quarterly Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
Fund	6.20	0.14	2.27	-5.62	6.79	4.99	-2.42	1.96	4.85	10.37	-1.47	3.18
Target	1.57	0.17	4.07	9.54	8.98	-0.42	0.94	-1.96	4.46	7.96	-5.18	1.06

Three Years Rolling Relative Returns



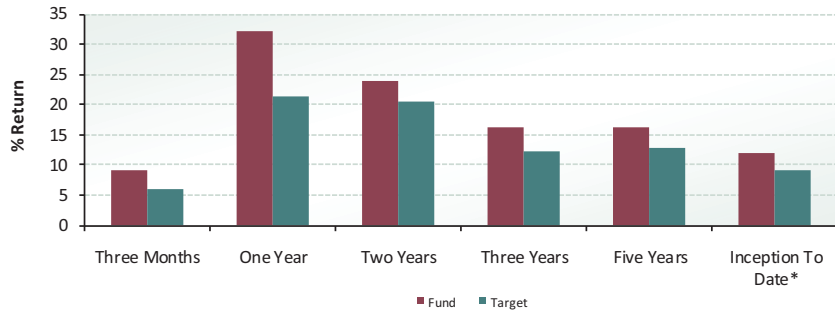
	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Rel	4.56	-0.03	-1.73	-13.84	-2.01	5.43	-3.33	4.00	0.39	2.41	3.71	2.12
3Y Rel	6.83	6.55	5.98	-0.22	-2.22	0.64	-1.12	-3.46	-4.07	-3.90	0.68	0.68

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees. Three Year Rolling Relative Returns have been calculated arithmetically from Q4 2012 onwards.

Majedie are a small boutique specialist active UK Equity manager with a flexible investment approach. Their approach to investment is mainly as stock pickers. They were appointed in July 2005 following an OJEU tender process. They started managing investments for the fund in August 2005.

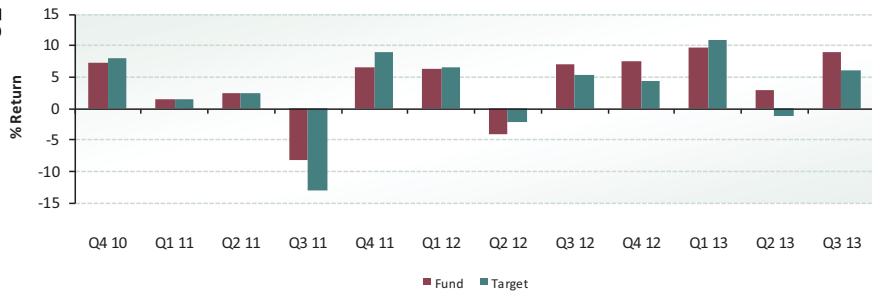
Historical Fund Performance



	Three Months	One Year	Two Years	Three Years	Five Years	Inception To Date*
Fund	9.07	32.19	23.94	16.30	16.24	11.83
Target	6.10	21.28	20.42	12.26	12.89	9.06

*Incepted 31 August 2005

Three Years Rolling Quarterly Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
Fund	7.29	1.56	2.34	-8.15	6.63	6.24	-4.10	6.96	7.42	9.57	2.97	9.07
Target	7.90	1.53	2.41	-13.05	8.92	6.62	-2.14	5.21	4.33	10.85	-1.17	6.10

Quarterly Manager update

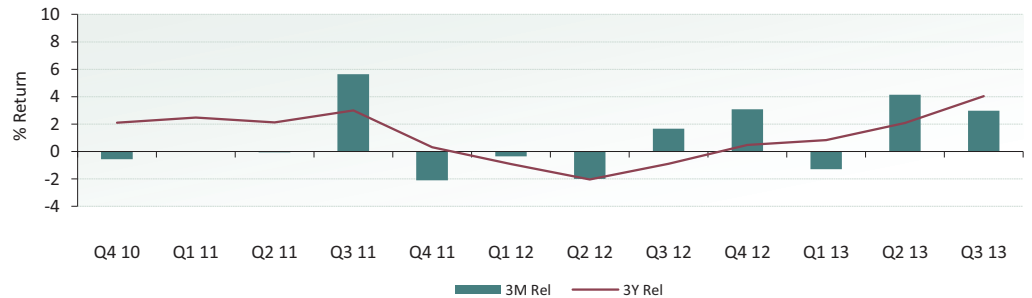
Organisation No significant changes over the quarter.

Product No significant changes over the quarter.

Performance The fund performance was 9.07% over the quarter, 2.97% ahead of its target. Over 12 months, the portfolio was 10.91% ahead of its target. The main drivers for performance this quarter were the long holdings in KPN and Nokia, whilst holdings in International Consolidated Airlines, ITV and Mondi each contributed strongly. The main detractor from performance was the holding in Hewlett Packard, which dropped in value after a mixed third quarter results announcement.

Process No significant changes over the quarter.

Three Years Rolling Relative Returns



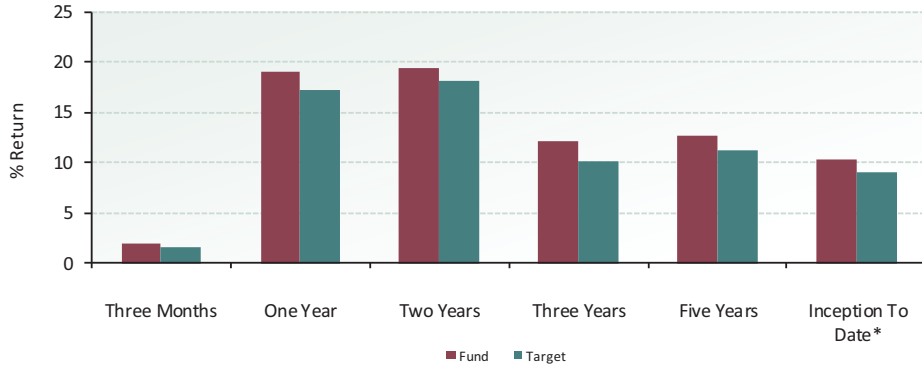
	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Rel	-0.57	0.03	-0.07	5.64	-2.10	-0.36	-2.00	1.66	3.09	-1.28	4.14	2.97
3Y Rel	2.11	2.48	2.13	3.00	0.32	-0.92	-2.04	-0.90	0.48	0.84	2.08	4.04

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

MFS are owned by Sun Life Financial based in Boston. Their investment philosophy is to select the best investment opportunities across regions and sectors. They were appointed in July 2005 following an OJEU tender process. They started managing investments for the fund in August 2005.

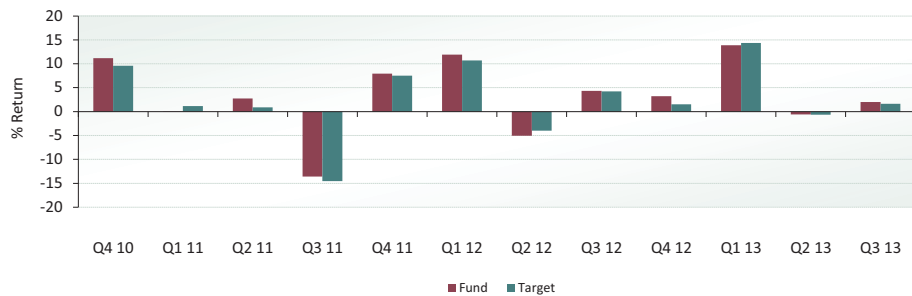
Historical Fund Performance



	Three Months	One Year	Two Years	Three Years	Five Years	Inception To Date*
Fund	1.98	19.14	19.38	12.06	12.64	10.25
Target	1.63	17.26	18.17	10.08	11.22	8.95

*Incepted 31 August 2005

Three Years Rolling Quarterly Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
Fund	11.19	0.04	2.73	-13.61	7.96	11.90	-5.08	4.31	3.23	13.88	-0.62	1.98
Target	9.57	1.16	0.86	-14.56	7.49	10.71	-3.97	4.20	1.53	14.35	-0.63	1.63

Quarterly Manager update

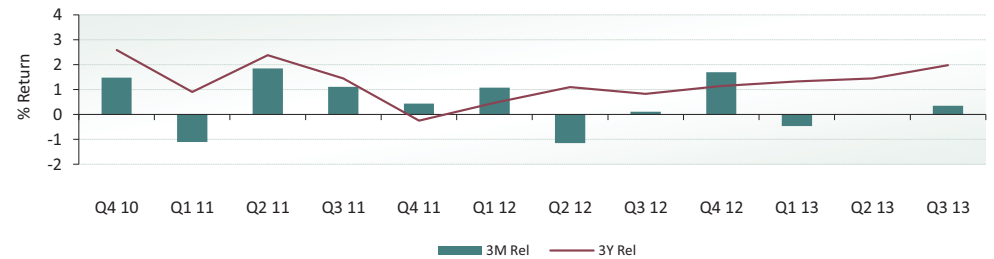
Organisation No significant changes over the quarter.

Product No significant changes over the quarter.

Performance The performance over the quarter was 1.98%, 0.35% ahead of its target. Over 12 months, the fund was 1.88% ahead of its target. An overweight position in the world's largest luxury goods company (LVMH (France)) contributed to relative returns with the company posting higher organic revenue growth. Fashion distributor, Inditex, also helped performance. The main detractor from relative performance was the decision not to hold Facebook, who reported strong advertising growth over the quarter, surpassing analysts estimates.

Process No significant changes over the quarter.

Three Years Rolling Relative Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Rel	1.48	-1.11	1.85	1.11	0.44	1.07	-1.16	0.11	1.70	-0.47	0.01	0.35
3Y Rel	2.59	0.90	2.38	1.44	-0.25	0.47	1.10	0.83	1.14	1.33	1.45	1.98

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

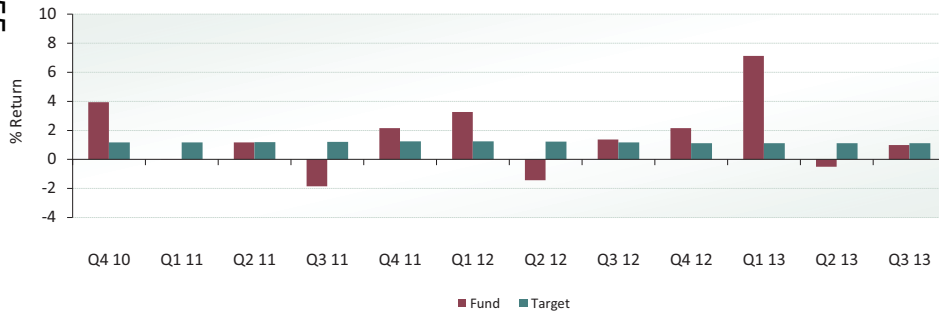
Historical Fund Performance



	Three Months	One Year	Two Years	Three Years	Inception To Date*
Fund	0.99	9.96	7.66	6.16	9.26
Target	1.12	4.53	4.76	4.79	4.87

* Grouped performance incepted 31 December 2008

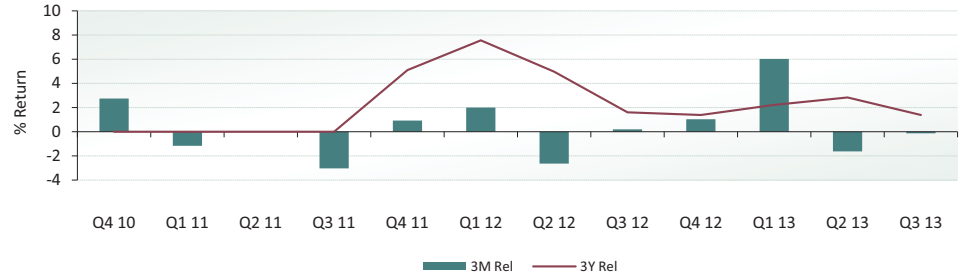
Three Years Rolling Quarterly Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
Fund	3.94	0.01	1.18	-1.86	2.16	3.27	-1.44	1.37	2.15	7.13	-0.51	0.99
Target	1.17	1.18	1.19	1.21	1.24	1.25	1.23	1.17	1.12	1.11	1.11	1.12

Ruffer underperformed its LIBOR based target over the quarter. Although both funds generated a positive absolute return, Ruffer returned 0.37%, which is 0.75% behind target. This led to the group returning 0.99% over the quarter, against the LIBOR based target of 1.12%. Over the year however, the group outperformed the target by 5.43%.

Three Years Rolling Relative Returns



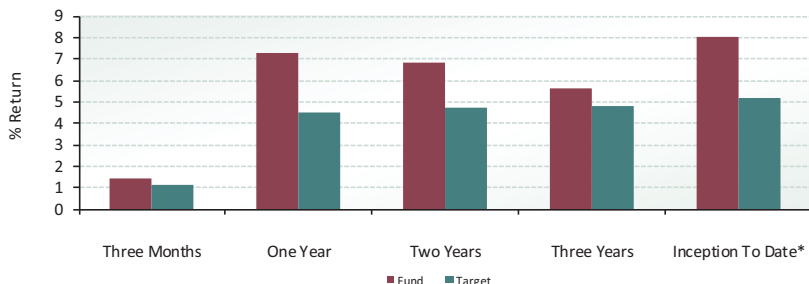
	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Rel	2.74	-1.16	-0.01	-3.03	0.91	2.00	-2.64	0.20	1.03	6.02	-1.62	-0.13
3Y Rel	-	-	-	-	5.10	7.54	4.97	1.59	1.39	2.21	2.84	1.37

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Barings are a large UK based investment manager investing in global asset classes. They were appointed for the Dynamic Asset Allocation mandate in June 2008 following an OJEU tender process. They started managing investments for the fund in August 2008.

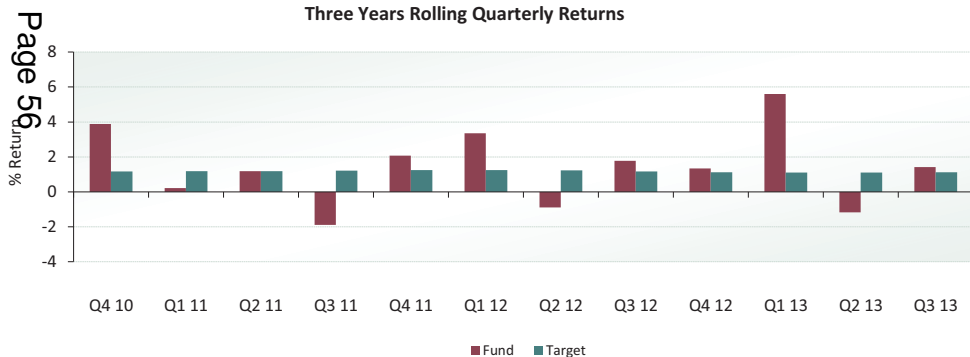
Historical Fund Performance



	Three Months	One Year	Two Years	Three Years	Inception To Date*
Fund	1.41	7.24	6.82	5.66	8.00
Target	1.12	4.53	4.76	4.79	5.20

*Incepted 31 July 2008

Three Years Rolling Quarterly Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
Fund	3.88	0.22	1.19	-1.89	2.07	3.35	-0.90	1.78	1.34	5.60	-1.18	1.41
Target	1.17	1.18	1.19	1.21	1.24	1.25	1.23	1.17	1.12	1.11	1.11	1.12

Quarterly Manager update

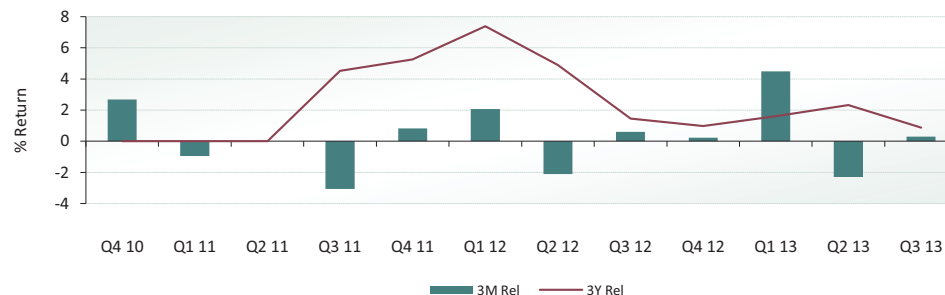
Organisation No significant changes over the quarter.

Product Barings have announced the DAA fund will be soft closed once AUM of the Sterling Multi Asset Strategy has reached £10bn. Once this level has been reached, only existing investors will be able to invest new money. The total AUM of the funds within the Sterling Multi Asset strategy currently stands at c.£9.5bn.

Performance The fund performance was 1.41% over the quarter, 0.29% ahead of its target. Over 12 months, the fund is 2.71% ahead of target. Given the size of the allocation and performance of UK equities, along with good stock selection, this was the biggest contributor to performance over the quarter. Currency hedging was also a positive contributor. The main detractor from performance was the exposure to overseas government bonds, despite a much reduced interest rate exposure.

Process No significant changes over the quarter.

Three Years Rolling Relative Returns



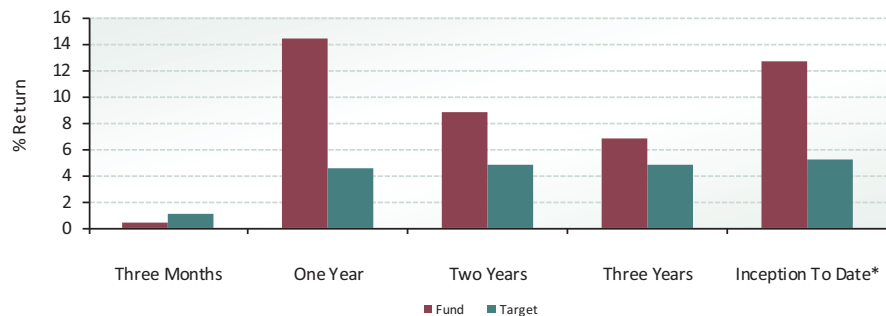
	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Rel	2.68	-0.95	0.00	-3.06	0.82	2.07	-2.10	0.60	0.22	4.49	-2.29	0.29
3Y Rel	-	-	-	4.51	5.26	7.38	4.90	1.46	0.98	1.61	2.33	0.87

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Ruffer are a small boutique investment manager investing in global asset classes. They were appointed for the Dynamic Asset Allocation mandate in June 2008 following an OJEU tender process. They started managing investments for the fund in August 2008.

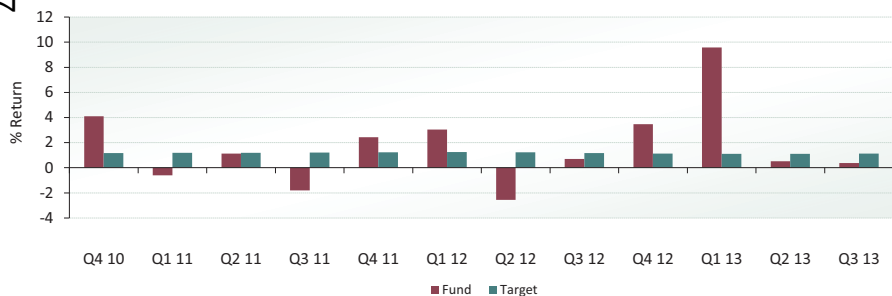
Historical Fund Performance



	Three Months	One Year	Two Years	Three Years	Inception To Date*
Fund	0.37	14.38	8.85	6.78	12.70
Target	1.12	4.53	4.76	4.79	5.20

*Incepted 31 July 2008

Three Years Rolling Quarterly Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
Fund	4.11	-0.61	1.13	-1.80	2.44	3.04	-2.55	0.71	3.47	9.57	0.52	0.37
Target	1.17	1.18	1.19	1.21	1.24	1.25	1.23	1.17	1.12	1.11	1.11	1.12

Quarterly Manager update

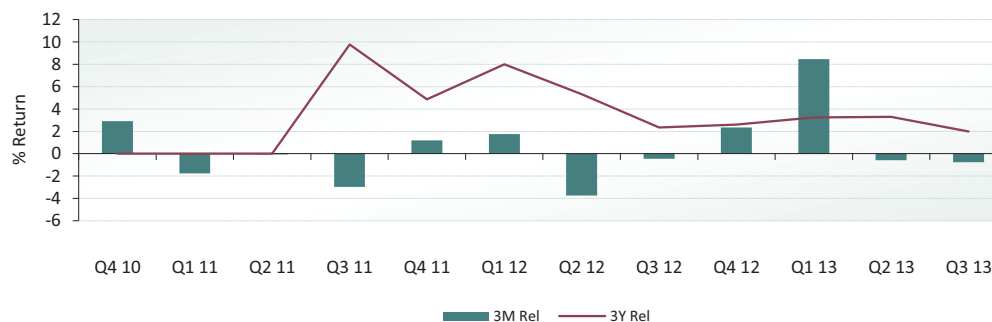
Organisation No significant changes over the quarter.

Product No significant changes over the quarter.

Performance The fund performance was 0.37% over the quarter, 0.75% below its target. Over 12 months, the fund was 9.85% above the target. Having sold most of the bond-like global “mega stocks” over the first half of the year (which performed so strongly), an investment to high yielding, but out of favour, US Defence stocks, Lockheed Martin and General Dynamics was made. These performed particularly well over the quarter. In general the equity allocation performed well. However, Sterling rose sharply and with a 20% exposure to the US Dollar, this offset much of the gains made and along with the option protection was the main detractor from performance.

Process No significant changes over the quarter.

Three Years Rolling Relative Returns

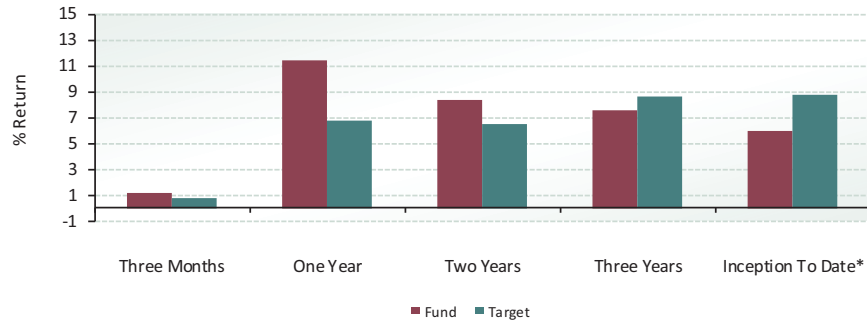


	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Rel	2.91	-1.77	-0.06	-2.97	1.19	1.77	-3.73	-0.45	2.35	8.46	-0.59	-0.75
3Y Rel	-	-	-	9.79	4.86	8.01	5.34	2.35	2.60	3.24	3.29	1.99

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Historical Fund Performance

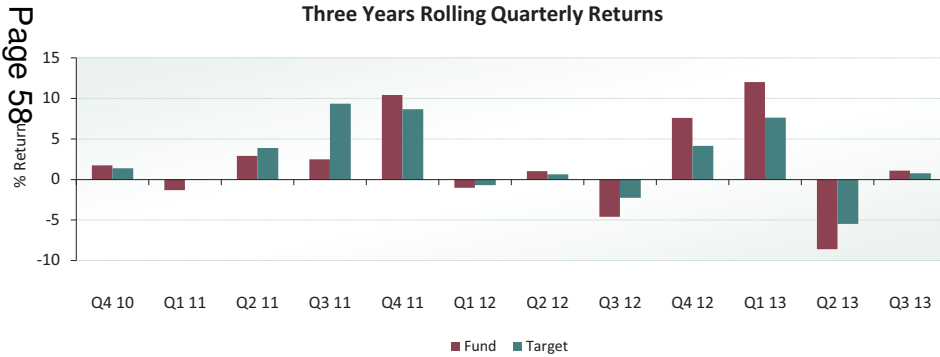


	Three Months	One Year	Two Years	Three Years	Inception To Date*
Fund	1.09	11.36	8.30	7.49	6.00
Target	0.77	6.79	6.47	8.61	8.69

* Grouped performance inception 31 December 2008

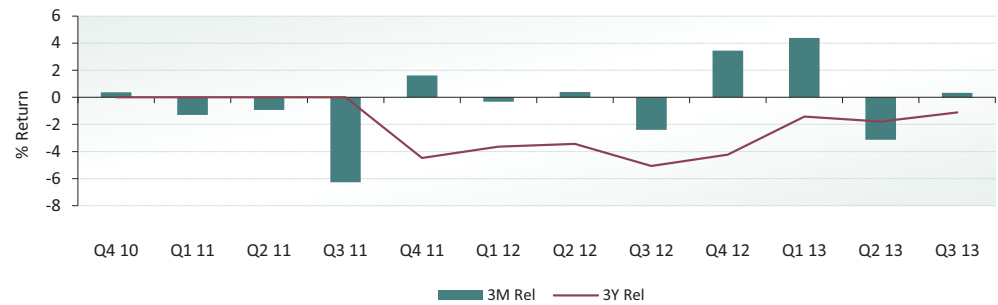
The performance of the Matching Fund over the quarter was 1.09%, 0.32% ahead of its gilts-based liability benchmark. The Matching Fund return of 11.36% over the year was 4.57% above its target.

Three Years Rolling Quarterly Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
Fund	1.75	-1.32	2.90	2.50	10.42	-1.04	1.03	-4.60	7.59	12.03	-8.61	1.09
Target	1.38	-0.01	3.88	9.35	8.67	-0.71	0.64	-2.25	4.15	7.64	-5.47	0.77

Three Years Rolling Relative Returns



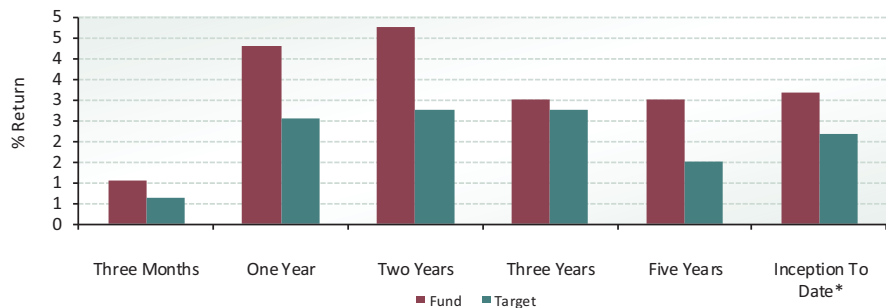
	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Rel	0.36	-1.31	-0.94	-6.26	1.61	-0.33	0.39	-2.40	3.44	4.39	-3.14	0.32
3Y Rel	-	-	-	-	-4.47	-3.64	-3.45	-5.07	-4.23	-1.42	-1.78	-1.12

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Goldman Sachs are a very large American investment bank who were first appointed in 1999 following a tender process. They have managed both equities and bonds on an active basis and since February 2009 managed an active bond fund.

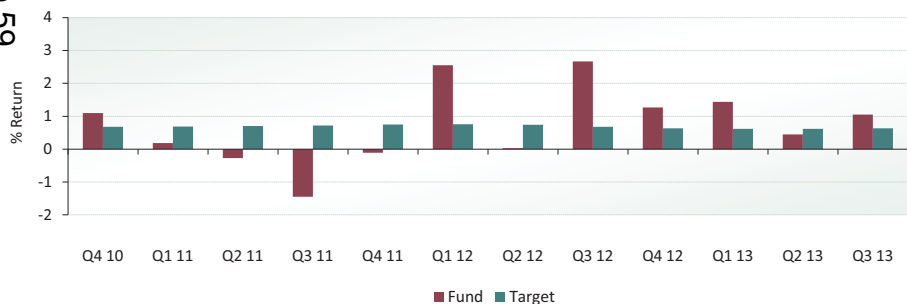
Historical Fund Performance



	Three Months	One Year	Two Years	Three Years	Five Years	Inception To Date*
Fund	1.05	4.28	4.74	2.98	3.00	3.17
Target	0.63	2.53	2.73	2.77	1.48	2.15

*Incepted 31 March 2003

Three Years Rolling Quarterly Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
Fund	1.10	0.18	-0.27	-1.45	-0.11	2.55	0.03	2.67	1.27	1.44	0.45	1.05
Target	0.68	0.69	0.70	0.72	0.75	0.76	0.74	0.68	0.63	0.62	0.62	0.63

Quarterly Manager update

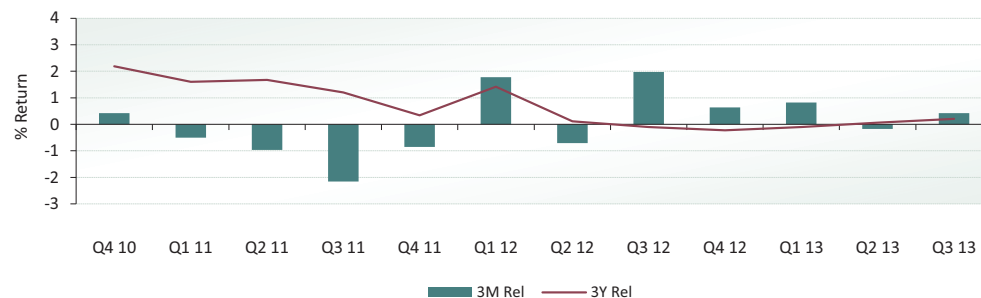
Organisation No significant changes over the quarter.

Product No significant changes over the quarter.

Performance The fund performance was 1.05% over the quarter, 0.42% ahead of its target. Over 12 months, performance was 1.75% ahead of the target. The positive returns generated over the quarter were mainly driven by duration and country strategies. US rates moved higher over the quarter (particularly in August), and the underweight bias to US duration was the most significant contributor to performance. The currency strategy was the largest detractor from performance, driven by the underweight bias to the Swiss Franc, which appreciated against the US Dollar. The underweight bias to the Japanese Yen also detracted from performance.

Process No significant changes over the quarter.

Three Years Rolling Relative Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Rel	0.42	-0.51	-0.96	-2.15	-0.85	1.78	-0.70	1.98	0.64	0.82	-0.17	0.42
3Y Rel	2.19	1.60	1.68	1.20	0.34	1.42	0.12	-0.10	-0.23	-0.10	0.06	0.21

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Legal & General are a very large manager of indexed funds. They were first appointed to manage investments for the fund in 1993. They have managed both equities and bonds on an indexed basis. Their current investment mandate started in the first quarter of 2012, although performance has been blended with the previous holding in the LGIM 2055 Index-Linked Gilt Fund.

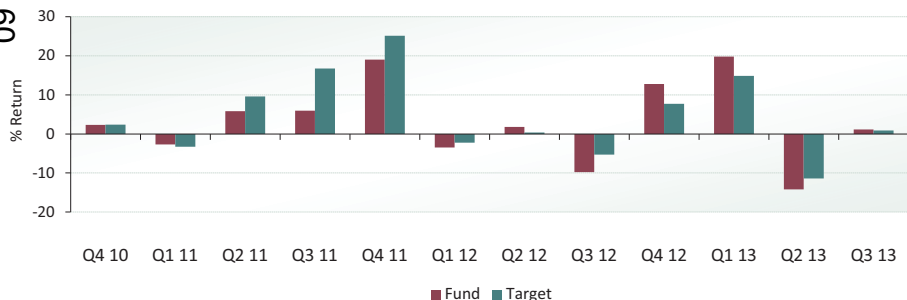
Historical Fund Performance



	Three Months	One Year	Two Years	Three Years	Five Years	Inception To Date*
Fund	1.12	17.14	11.13	11.32	9.61	4.34
Target	0.90	10.58	13.44	17.68	12.50	4.73

*Incepted 30 June 1999

Three Years Rolling Quarterly Returns

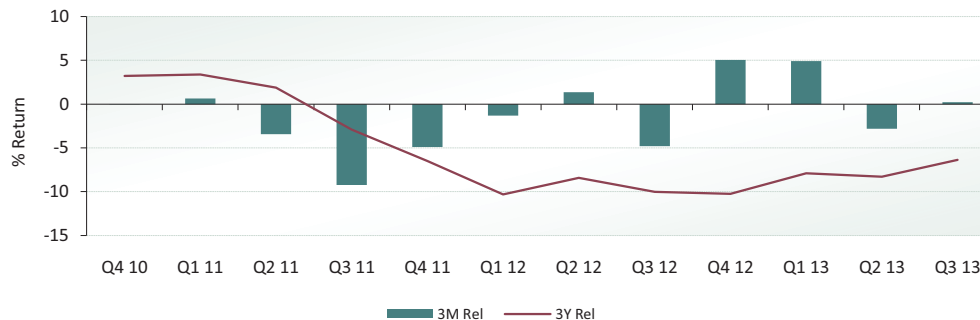


	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
Fund	2.34	-2.69	5.85	5.96	19.04	-3.50	1.76	-9.81	12.75	19.79	-14.23	1.12
Target	2.38	-3.30	9.60	16.73	25.16	-2.22	0.38	-5.27	7.69	14.89	-11.42	0.90

Quarterly Manager update

- Organisation** No significant changes over the quarter.
- Product** No significant changes over the quarter.
- Performance** The fund performance was 1.12% over the quarter, 0.22% ahead of its bespoke target. Over 12 months, performance was 6.56% ahead of the target.
- Process** No significant changes over the quarter.

Three Years Rolling Relative Returns



	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
3M Rel	-0.04	0.63	-3.42	-9.23	-4.89	-1.31	1.37	-4.79	5.06	4.90	-2.81	0.22
3Y Rel	3.22	3.37	1.89	-2.92	-6.51	-10.32	-8.41	-10.01	-10.26	-7.91	-8.29	-6.36

Notes:

All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. All performance figures over 1 year have been annualised. Returns are gross of fees.

Following the sell-off at the end of quarter 2, risky assets experienced a strong rebound in the third quarter. Poor performance in August did little to affect the gains made throughout the rest of the period, as improving economic fundamentals and additional central bank rhetoric once again boosted investor sentiment and, consequently, risky asset prices.

Most major equity and riskier credit markets performed well over the quarter, albeit with bouts of volatility which were primarily as a result of the uncertainty surrounding future US monetary policy and the implications on future interest rates. Similar uncertainty surrounding future interest rates in the UK caused mixed returns from gilts, with fixed interest yields rising, with the exception of very long-dated issues, and index linked yields falling on average.

Third quarter headlines were focussed on when the US Federal Reserve (Fed) will begin tapering its monthly asset-purchasing programme (QE). Most market participants expected some form of tapering to be announced during September following steadily improving economic data. Against expectations however, the Fed announced its decision to leave the level of QE unchanged, citing an “elevated” level of unemployment and consistently below-target inflation. Markets subsequently rallied, with the S&P500 reaching an historic high shortly after.

The late surge in equity markets was capped at the end of the quarter however, as uncertainty surrounding the possibility of a US federal budget stalemate increased. Whilst this threatened the shutdown of some “non-essential” government operations, investors will be more wary of the potential impact on October’s debt ceiling negotiations.

Mark Carney began his tenure as Governor of the Bank of England during July. His first major move was to introduce a strategy known as forward guidance, whereby he assured investors that there are no plans to raise interest rates in the short to medium term. This followed a similar announcement by the European Central Bank, however it has so far been doubted by investors as the UK economic recovery continues to gain momentum.

European equities were one of the strongest performers in the third quarter, further evidence that the outlook is improving following the single currency region’s exit from recession in the second quarter. Business activity, economic sentiment and consumer confidence all posted levels not seen since September 2011, while unemployment fell for the first time in more than two years in July. Markets also welcomed the outcome of the German elections in September, as Angela Merkel reinforced her position at the centre of European politics with 41.5% of the votes, just short of an absolute majority. Whilst the overall region’s return to growth is encouraging however, much of the area is still in recession with worryingly high unemployment, meaning any talk of a stable recovery with reduced volatility would be premature for now.

Emerging markets continued to be disappointing through July and August, before posting their strongest monthly return in twenty months in September. In contrast to most other emerging markets, Chinese equities performed particularly well throughout the quarter due to the release of a number of positive economic indicators. Many other emerging economies continue to struggle with rising capital costs and currency depreciations. However, with a significant amount of outflows in 2013, certain markets are now beginning to look attractively valued.

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Datasource: Data has been sourced from the Custodian, Northern Trust, and the Managers.

IMPORTANT INFORMATION


This Investment Governance Report has been prepared for the Audit & Pensions Committee of the London Borough of Hammersmith and Fulham Pension Fund (the “Fund”) only. It is not for onward distribution. The purpose of this report is to provide factual information relating to the current portfolios, valuation, components and a factual description of the performance in the period covered by the report. The subject matter of this report has been agreed with you and is provided by us in order to meet our reporting obligations to you under the FCA Rules. As such, it has not been prepared for distribution to individual scheme members or retail investors.

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**THIS REPORT IS ADDRESSED TO THE AUDIT & PENSIONS COMMITTEE OF THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM PENSION FUND ONLY
– NOT FOR ONWARD DISTRIBUTION**

 <p>h&f the low tax borough</p>	<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p>5th December 2013</p>
<p>PENSION FUND MANAGER BRIEFINGS</p>	
<p>Report of the Executive Director of Finance and Corporate Governance</p>	
<p>Open Report</p>	
<p>Classification: For Decision</p> <p>Key Decision: No</p>	
<p>Wards Affected: All</p>	
<p>Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance</p>	
<p>Report Author: Jonathan Hunt, Tri-Borough Director of Treasury and Pensions</p>	<p>Contact Details: Tel: 020 7641 1804 E-mail: jonathanhunt@westminster.gov.uk</p>

1. EXECUTIVE SUMMARY

1.1. It is good practice to meet regularly with fund managers to scrutinise effectively their performance. It is proposed that separate briefings with fund managers take place once a quarter attended by Committee members and officers, which are reported back to the formal committee meetings.

2. RECOMMENDATIONS

2.1. That the Committee agree that separate quarterly briefings are set up with fund managers and that a summary of each meeting is reported back to the formal Committee meetings.

3. REASONS FOR DECISION

3.1. To improve the scrutiny of fund manager performance and to adopt good practice in the monitoring of investments.

4. INTRODUCTION AND BACKGROUND

- 4.1. The Local Government Pension Scheme regulations require Pension Funds regularly to review the fund managers it employs. This is currently done through the provision of a quarterly review report from the Fund's investment adviser.
- 4.2. However, it is further good practice for Committees to meet their fund managers regularly to understand their investment processes and the reasons for any over or under performance. Officers recognise that given this Committee's wide remit, there is not sufficient time on the formal Committee agendas for such meetings to be undertaken effectively in this forum.

5. PROPOSAL AND ISSUES

- 5.1. It is proposed that separate briefings take place once a quarter for Committee members to meet the fund managers with the aim of meeting every manager at least once a year. These briefings would be specifically for speaking to fund managers about the performance of the fund and no other issue would be covered. These briefings would not be a formal Committee meetings, and no decisions would be taken.
- 5.2. These briefings would be attended by committee members and officers from the Tri-Borough Pensions team, who would take notes. The notes would then form a report back to the next formal committee meeting with the managers' presentations attached.
- 5.3. In order to maximise the benefit from the briefings, it is proposed that a standard set of questions, attached as Appendix 1 is provided to the managers in advance .. The questions are used elsewhere in Tri-Borough.
- 5.4. In the interests of minimising costs, it is proposed that the investment adviser is not asked to attend these briefings, but they would be consulted in advance about any additional questions it would be worth asking the managers.
- 5.5. If there are particular concerns raised about a fund manager, it would still be possible for the Committee to call them into a formal committee meeting to answer questions in that forum.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. Not applicable.

7. CONSULTATION

- 7.1. Not applicable.

7.2.

8. EQUALITY IMPLICATIONS

8.1. Not applicable.

9. LEGAL IMPLICATIONS

9.1. Not applicable.

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. None.

11. RISK MANAGEMENT

11.1. Not applicable.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location

LIST OF APPENDICES:

Appendix 1: Standard questions for fund managers

Standard Questions for fund managers

Past Performance

1. Please explain how your investment management decisions have affected performance of the portfolio in the last six months, both in absolute terms and relative to the benchmark.
2. Which events impacting on performance did you foresee and allow for? Which were unexpected?
3. How have you engaged with companies to increase the shareholder value they give (e.g. resisting directors' pay increases)?

The Organisation

4. Has the fund management team and / or investment style changed significantly in the last six months? If so, how?

The Future

5. What do you consider to be the main investment challenges ahead in the next six months?
6. How do you propose to position the investments to meet these challenges and will this involve a significant movement in assets or allocation policy?
7. What do you see as the main risks to your proposed strategy?

 <p>h&f the low tax borough</p>	<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p>5th December 2013</p>
<p>Treasury Mid-Year Review 2013-14</p>	
<p>Report of the Executive Director of Finance and Corporate Governance</p>	
<p>Open Report.</p>	
<p>Classification: For Information</p> <p>Key Decision: No</p>	
<p>Wards Affected: ALL</p>	
<p>Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Services</p>	
<p>Report Author: Halfield Jackman Treasury Management Officer</p>	<p>Contact Details: Tel: 020 7641 4354 E-mail: hjackman@westminster.gov.uk</p>

1. EXECUTIVE SUMMARY

1.1 This report presents the Council's Half Year Treasury Report for 2013/14 in accordance with the Council's Treasury Management Practices. It is a regulatory requirement for this Report to be presented to the Committee.

1.2 There are two aspects of Treasury performance – debt management and cash investments. Debt management relates to the Councils borrowing and cash investments to the investments of surplus cash balances. This report covers:

- The Treasury position as at 30th September 2013.
- The Investment Strategy
- The Borrowing Strategy
- Compliance with the treasury limits and prudential indicators and
- The UK economy and interest rates.

The borrowing amounts outstanding and cash investments for the 30th September period are as follows:

£million	30 th September 2013	31 st March 2013
Total Borrowing	256	262
Total Cash Balances	260	206

2. BACKGROUND

2.1 This report presents the Council's Treasury Management Mid Year Report to the 30th September 2013 in accordance with the Council's Treasury Management Practice.

2.2 The CIPFA Code of Practice on Treasury Management has been adopted by the Council. This Mid Year review has been prepared in compliance with the Code of Practice. The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Receipt by the full Council of an Annual Treasury Management Strategy Statement, including the Annual Investment Strategy, for the year ahead, a Mid-Year Review Report (this report) and an Annual Report covering activities during the previous year.

2.3 Delegation by the Council of the role of scrutiny of Treasury Management Strategy and policies to a specific named body. For this Council the delegated body is the Audit, Pensions and Standards Committee.

3. RECOMMENDATIONS

3.1 To note the Council's debt, borrowing and investment activity up to the 30th September 2013.

4. TREASURY POSITION AT 30TH SEPTEMBER 2013

Investment

4.1 The table below provides a schedule of the cash deposits, together with comparisons from the year end.

	30 th September 2013		31 st March 2013	
	Balance £m	Yield (%)	Balance £m	Yield (%)
Overnight access				
DMO (Overnight)	10	0.25	13	0.25
Money Market Funds (Constant NAV)	40	0.36	40	0.36
Call Account	-	-	32	0.65
Total Liquid Investments	50	0.33	84	0.45
Term Deposit	146	0.59	122	0.78
Custodian Held Assets	64	0.35	-	-
Total other Investments	210	0.51	122	0.78
Grand Total	260	0.48	206	0.64

4.2 The Council has £40m invested in four money market funds run by Federated Prime Rate, Insight, Goldman Sachs and Blackrock. The funds return between 0.29% to 0.42%, all are rated AAA by at least two of the three main credit rating agencies.

4.3 Custodian Held Assets are highly rated short term investments that are held by Northern Trust. Investments include UK Gilts, UK Treasury Bills and bonds issued by Network Rail (Government guaranteed).

4.4 The weighted average interest rate of return on the investments over the half year was 0.48% (on a per annum basis), with a total interest received of £0.5m.

Borrowing

4.5 The borrowing strategy for the year 2013/14 was not to incur any new borrowing and given the prevailing low levels of interest rates, consider voluntary early repayments of borrowing as a way of making more efficient use of funds in the short term.

4.6 The table below shows the Council's external borrowing (as at the 30th September 2013) is £256m split between General Fund and HRA at an average interest rate of 5.60%.

	General Fund (£m)	Average rate	HRA (£m)	Average rate	Total external borrowing (£m)	Average Rate
PWLB loans maturity	43.79	5.60%	212.58	5.60%	256.37	5.60%

5. ANNUAL INVESTMENT STRATEGY

- 5.1 The Investment strategy for 2013/14 is to place cash investments with institutions as set out in the Treasury Management Strategy, to focus on the security and liquidity of the investments rather than to seek yield. Where security and liquidity criteria are satisfied, investments would then be placed taking yield into account.
- 5.2 During the year to date, cash has been placed with the Debt Management Office, Barclays Bank, Lloyds, Royal Bank of Scotland and NatWest Bank (part of RBS Group). Four money market funds were also used; Federated Prime Rate, Insight, Goldman Sachs and Blackrock.
- 5.3 The Council also began to invest in short term Gilts, Treasury Bills and highly rated bonds (such as Network Rail) as allowed under the TMS.
- 5.4 In the current economic climate all new investments are kept short term, and are with high credit rated financial institutions. The Council policy has not changed this year.

6. PRUDENTIAL INDICATORS

- 6.1 During the first six months of the financial year the Council operated within its treasury limits and Prudential Indicators as set out in the Council's Treasury Strategy Report.
- 6.2 As part of the strategy the Council sets a number of prudential limits for borrowing. This position against the prudential indicators for 2013/14 as agreed by the Council in February 2013 is set below.

£m	2013/14 Limit	30 September 2013 Actual
Authorised Limit for external debt ¹	345	256.4
Operational Limit for external debt ²	287	256.4
Limit of fixed interest rate exposure based on gross debt	320	256.4
Limit of variable interest rate exposure based on gross debt	64	Nil
Principal sum invested >364 days	20	Nil

Maturity structure of borrowing as shown below, is designed to be a control over an authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Upper Limit	Lower Limit	Actual
Under 12 months	15%	0%	4.41%
12 months and within 24 months	15%	0%	1.11%
24 months and within 5 years	60%	0%	11.52%
5 years and within 10 years	75%	0%	9.8%

¹ Authorised limit for external debt is the limit above which external debt must not go without changing Council Policy.

² Operational boundary for external debt is the limit against which external debt will be constantly monitored.

10 years and above	100%	0%	73.16%
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7. THE ECONOMY AND INTEREST RATES

- 7.1 The economy grew by 0.3 per cent in the first quarter of 2013 by 0.7 per cent in quarter two. In August, both the Bank of England and the International Monetary Fund upgraded their forecasts for the rate of growth over the rest of 2013. The UK economy is of course influenced by worldwide economic developments, particularly in the Eurozone where ongoing problems could affect the UK's economic performance.
- 7.2 The new governor of the Bank of England, Mark Carney, delivered his first inflation report and announced the introduction of forward guidance. The guidance effectively indicates that the bank does not intend to raise the 0.5 per cent bank rate until unemployment has fallen to a threshold of seven per cent (currently 7.7 per cent), which the Monetary Policy Committee (MPC) forecasts would not be achieved until 2016.
- 7.3 The MPC has kept bank rate at 0.5 per cent throughout the period while quantitative easing has remained at £375 billion.
- 7.4 The United States Congress was initially unable to agree a compromise to allow the Federal Government to continue spending in the new fiscal year, resulting in the first Government shutdown in 17 years. Agreement was eventually reached on 17 October to extend the Treasury's borrowing authority until 7 February and funding the Government to 15 January. Gilt and US treasury yields have been volatile as markets came to terms with the uncertainty.
- 7.5 The Eurozone saw economic growth of 0.3 per cent for the second quarter of 2013, ending an 18 month recession. This was widely anticipated given strong growth in Germany and France. Spain, Italy and the Netherlands saw output fall.
- 7.6 The European Central Bank (ECB) has kept interest rates unchanged at 0.5 per cent since May 2013.
- 7.7 The longer run prospect for Public Works Loan Board (PWLB) borrowing rates is an eventual rise, primarily due to the need for a high volume of gilt issuance in the UK and the high volume of debt issuance in other major western countries. However, the current safe haven status of the UK may continue for some time, mitigating any increase in yield.

8. CAPITAL FINANCING REQUIREMENT

- 8.1 Appendix A reports the CFR projections for the General Fund for the first 2 quarters of 2013/14.

9. EQUALITY IMPLICATIONS

- 9.1 There are no equality implications as a result of this report.

10. FINANCE AND RESOURCES IMPLICATIONS

10.1 The comments of the Director of Finance and Corporate Services are contained within this report.

11. LEGAL IMPLICATIONS

11.1 There are no direct legal implications for the purpose of this report.

12. RISK MANAGEMENT

12.1 There are no direct risk management implications as a result of this report.

13. PROCUREMENT AND IT STRATEGY IMPLICATIONS

13.1 There are no procurement or IT strategy implications as a result of this report.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of File/Copy	Department/Location
1	Borrowings and Investment spread sheets	Halfield Jackman 0207 641 4354	Westminster City Hall, Treasury and Pensions, 16th Floor

Appendix A

Capital Financing Requirement

At quarter 1 2013/14, **General Fund debt** - as measured by the Capital Financing Requirement (CFR) was forecast to be **£80.8m** by the end of 2013/14. This represents an increase of **£2.4m** from the 2012/13 year end CFR of £78.4m. This increase is largely as a consequence of the slippage of £16.2m of capital receipts into future years and a ruling by the government which now limits the ability to transfer housing receipts towards General Fund debt reduction.

Q1 Forecast Movement in the Capital Financing Requirement (CFR)

	2012/13	2013/14	2014/15	2015/16	2016/17
	<i>Outturn</i>				
	£m	£m	£m	£m	£m
Opening Capital Financing Requirement (CFR)	99.8	78.4	80.8	61.5	61.7
Revenue Repayment of Debt (MRP ³)	(2.3)	(1.4)	(1.5)	(0.7)	(0.7)
Net Impact of Appropriations between General Fund and HRA	0.5	-	-	-	-
Annual (Surplus) in Capital Programme	(19.6)	3.8	(17.7)	0.9	2.1
Closing CFR	78.4	80.8	61.5	61.7	63.0
<i>Net Movement from £78.4m</i>	-	2.4	(16.8)	(16.7)	(15.4)
<i>Budget Council CFR</i>	94.0	71.4	50.7	43.6	39.5

At quarter 2 2013/14, **General Fund debt** - as measured by the Capital Financing Requirement (CFR) is currently forecast to be **£80.2m** by the end of 2013/14. This represents a small **decrease** of **£0.6m** compared with the quarter 1 CFR projection of £80.8m. The slippage of receipts has increased the anticipated debt reduction into future years and the long-term CFR projection remains downwards - **£51.6m** by 2016/17.

Q2 Forecast Movement in the Capital Financing Requirement (CFR)

	2012/13	2013/14	2014/15	2015/16	2016/17
	<i>Outturn</i>				
	£m	£m	£m	£m	£m
Opening Capital Financing Requirement (CFR)	99.8	78.4	80.2	60.2	60.6
Revenue Repayment of Debt (MRP ³)	(2.3)	(1.4)	(1.5)	(0.7)	(0.7)
Net Impact of Appropriations between General Fund and HRA	0.5	-	-	-	-
Annual (Surplus) in Capital Programme	(19.6)	3.2	(18.5)	1.0	(8.26)
Closing CFR	78.4	80.2	60.2	60.6	51.6
<i>Net Movement from £78.4m</i>	-	1.8	(18.1)	(17.8)	(26.8)

³ Minimum Revenue Provision (MRP)

Agenda Item 8

 <p>h&f the low tax borough</p>	<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT PENSIONS AND STANDARDS COMMITTEE (December 2013)</p>
<p>Corporate Health and Safety Management Annual Review</p>	
<p>Report of the Executive Director, Transport and Technical Services</p>	
<p>Open Report</p>	
<p>Classification: For Review & Comment</p> <p>Key Decision: No</p>	
<p>Wards Affected: None</p>	
<p>Accountable Executive Director: Nigel Pallace, Executive Director, Transport and Technical Services</p>	
<p>Report Author: Richard Buckley, Bi-borough Head of Environmental Health (Residential)</p>	<p>Contact Details: Tel: 020 8753 3971 E-mail: richard.buckley@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report provides a summary of the health and safety performance of the organisation for the 12 month period to October 2013.
- 1.2. A summary of the organisational risk profile and findings from key audits are highlighted.
- 1.3. Interventions by the Health and Safety Executive and changes to legislation are outlined.

2. RECOMMENDATIONS

- 2.1. Members are asked to review and comment on the organisation's health and safety performance for the rolling 12 month period.
- 2.2. The committee is asked to review this annual report to satisfy itself that the Council is fulfilling its legal duty of care.

3. REASONS FOR DECISION

- 3.1. The Council has legal duty of care under health and safety legislation to safeguard its staff but also those affected by its service activities. Responsibility for compliance is set out in the corporate safety policy but in summary all staff and members have a part to play.
- 3.2. A Deloitte audit of Corporate Safety across the organisation recommended that health and Safety updates should be presented to Council Members on an annual basis. Reports should include:
 - Significant Health and Safety risks and emerging issues;
 - Overall Council Compliance with Health and Safety Legislation; and
 - Areas of non compliance and progress on taking corrective action.

4. INTRODUCTION AND BACKGROUND

- 4.1. This report summarises the Council's health and safety performance during the 12 month period to October 2013. It highlights some of the main risks, controls, issues and achievements experienced over this period.
- 4.2. The Council has a legal duty of care for over 4,500 staff (approximately 2,000 if excluding schools) that it directly employs. It is responsible for the safe management of over 200 corporate buildings, 13,000 residential homes and 29 community schools.
- 4.3. The Council is a complex and large organisation with numerous delivery models (Tri/Bi-borough, Outsourcing, Mutual etc.) running in parallel, which creates the potential for significant risks that need to be managed on an on-going basis.

Legal Responsibilities

- 4.4. The legal duty of care, which cannot be delegated, extends to services provided by third parties such as Serco (waste management), Quadron (parks), Greenwich Leisure Ltd, Amey (total facilities management), MITIE (housing facilities management), Pinnacle (housing management). It has a duty of care for the placement of residents in care and in third party housing, children in foster homes etc.
- 4.5. The Health and Safety at Work etc Act 1974 remains the primary legislation which sets out the legal duties for the council on health and safety. The Corporate Manslaughter and Corporate Homicide Act 2007 means that organisations can now be found guilty of corporate

manslaughter as a result of serious management failures resulting in a gross breach of a duty of care.

- 4.6. In summary the council's legal duties include to:
- appoint someone competent to meet health and safety duties.
 - provide a written health and safety policy;
 - assess and control risks to employees, customers, partners and any other people who could be affected by their activities;
 - arrange for the effective planning, organisation, control, monitoring and review of preventive and protective measures;
 - consult employees about their risks at work and current preventive and protective measures.
 - respond to insurance claims for compensation, in compliance with Ministry of Justice protocols, brought against the organisation following alleged acts of negligence in breaching the duty of care owed to our employees.

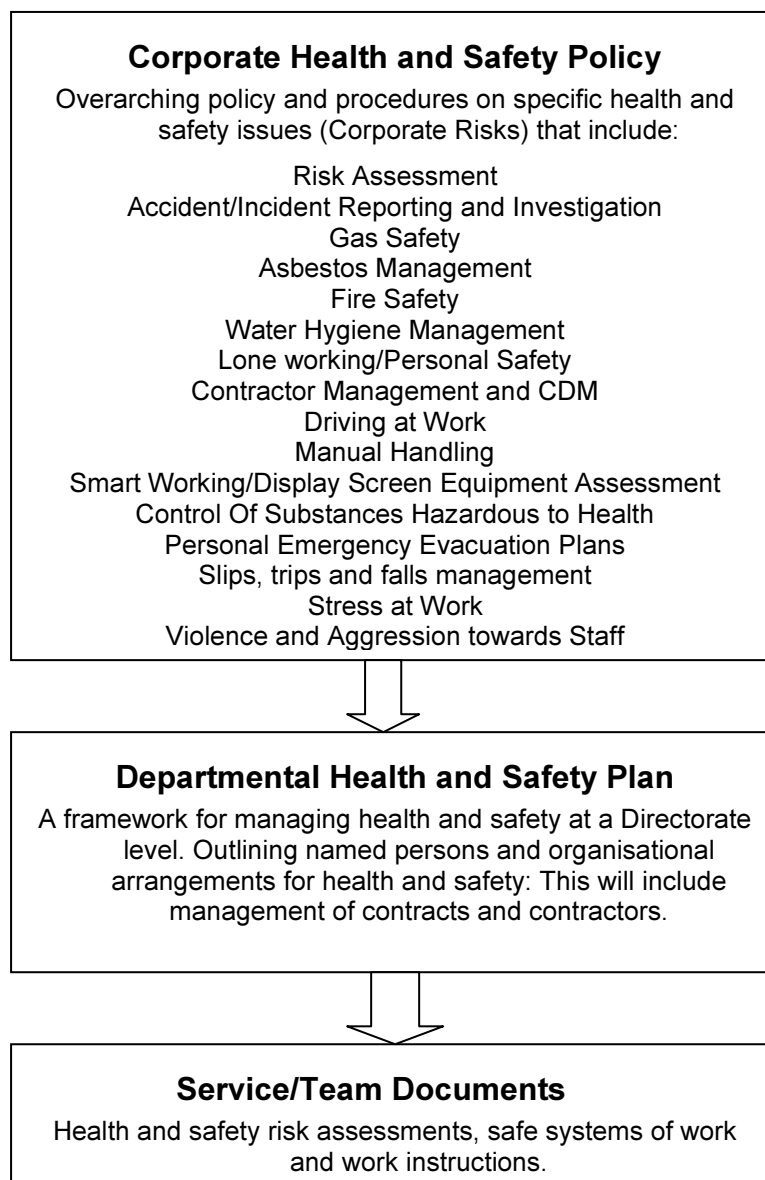
Management of Health and Safety

- 4.7. Compliance and assurance are designed to reduce the risk of significant harm to staff and those who are affected by the Council's services. They should improve staff well-being, provide a safe working environment, reduce staff absence, reduce staff turnover and increase productivity. It minimises the risk of prosecution, civil litigation, reputational damage and insurance claims. Nationally, 27 million days are lost each year due to health and safety incidents.
- 4.8. The council's approach to health and safety adheres to the principles of sensible risk management. Sensible risk management is not about creating a totally risk free environment or generating unnecessary paperwork. Sensible risk management is about:
- Ensuring that employees and the public are properly protected.
 - Ensuring that those who create risks understand that a failure to manage these risks responsibly is likely to have serious consequences and can lead to robust enforcement action.
 - Enabling managers and officers to understand that as well as the right to protection, they also have to exercise responsibility.
- 4.9. The Corporate Safety team acts as the appointed 'competent person' for the council. The team consists of two Corporate Safety Officers and a Schools Health, Safety and Business Continuity Adviser. The team manages compliance through inspection, audit, investigation and advice. However, the responsibility for health and safety ultimately sits with the senior management team.
- 4.10. How the Council will meet its statutory duties to safeguard staff and those affected by its service provision is set out in the Corporate Health and Safety Policy, the departmental plans and corporate procedures.
- 4.11. Elected members will ensure that health and safety is adequately considered when making decisions at a strategic level. The Cabinet

Member for Residents Services, Councillor Greg Smith, has been nominated to lead on Health and Safety matters.

4.12. The Executive Director of Transport and Technical Services has been nominated as the lead Executive Director for Health and Safety.

4.13. Corporate policies and plans:



Risk Management

4.14. A high-level risk profile of the organisation has been undertaken. The risk profile for the organisation lists the significant inherent risks that the Council is subject to and the existing control measures in place. Assessments of the residual risks (the level of risk after controls are put in place) are prioritised, with the gaps and required assurances identified. The profile is split into three categories: Persons, Management and Property.

- 4.15. A number of the significant risks to the organisation, as an example, are shown in Appendix 1.
- 4.16. At a local level there are departmental plans in place that include organisational arrangements, service/team risk assessments with control measures and training requirements.

Business Plan

- 4.17. The business plan for the Corporate Safety Team is informed by the organisational risk profile. The focus is on departmental inspections and audits, and audits of high risk themes including gas safety, fire safety, lifting equipment and asbestos management.
- 4.18. An extract of the business plan for 2013 – 2015 is set out in Appendix 2.
- 4.19. To date the plan is on track and continues to reflect priorities.

Communication

- 4.20. The council has a legal duty to consult with its employees or their representatives on health and safety matters. The Corporate Safety Committee (CSC) was set up to meet this statutory requirement and currently meets four times a year to provide oversight of all health and safety provisions and related consultation with employees.
- 4.21. A report summarising the council's health safety performance is provided to the Hammersmith and Fulham Business Board (Chief Executive and Executive Directors) on a quarterly basis. Recommendations are put before the board as required.
- 4.22. A report was put before the Transport, Environment and Residents Services Select Committee June 2013 updating members on the initial results of the introduction of personal cameras for civil enforcement officers. The results were positive showing a reduction in the number violent incidents overall.

5. CURRENT ISSUES

Major changes legislation

- 5.1. Professor Löfstedt undertook a review of health and safety legislation in 2011 that was aimed at reducing the burden of unnecessary regulation on businesses while maintaining Britain's health and safety performance, which is among the best internationally.
- 5.2. A number of recommendations were made that included: simplifying and streamlining the stock of regulations, focusing enforcement on higher risk businesses, clarifying requirements, and rebalancing the civil litigation system.
- 5.3. To date the Approved Code of Practice (ACOP) for the Management of Health and Safety at Work Regulations 1999 has been removed (although the regulations still apply), and the ACOP for First Aid has been simplified.

Changes to the ACOPs for asbestos management and legionella are to be introduced shortly.

- 5.4. The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) amends the existing regulations. Previously, an injury at work leading to an absence of three days was reportable to the HSE, this has now changed to seven days. Although, companies are still legally required to record injuries resulting in an absence of three days. In addition, the types of occupational diseases and dangerous occurrences that are reportable has also reduced.
- 5.5. The HSE's management of health and safety system, adopted by the council, (known as HSG 65) is changing to a simplified process known as Plan, Do, Check, Act. This aligns with both industry standards and generic management practices. The corporate procedures and policies will be updated shortly to reflect this streamlined approach.
- 5.6. Fees For Intervention (a cost recovery scheme) was legislatively introduced in October 2012. Any advice or action resulting in an intervention by the HSE leads to a charge where previously it was free. In the first six months, nationally, the HSE raised £2,673,773 and issued 5,766 invoices with an average charge of £464 per business.

HSE (Health and Safety Executive)

- 5.7. The Health and Safety Executive (HSE), the enforcing authority for health and safety for local authority activities, inspected the council on three occasions in the last 12 months.
- 5.8. Two inspections were proactive as part of HSE initiatives to tackle, nationally, high fatalities in the waste management industry and fatalities resulting from legionnaire's disease emanating from cooling towers.
- 5.9. The focus of the waste management inspection in February 2013 was on two key elements: procurement and management by the Council and separately its delivery by Serco. The waste contract is subject to routine health and safety management performance meetings with the Cleaner Greener Contracts Team and ad-hoc inspections by Corporate Safety. The inspector was satisfied that the procurement process and the Council's management was satisfactory. A Fee for Intervention letter (£700) was issued to the council's contractor, as an agency staff member was not issued with or wearing safety trousers.
- 5.10. The inspection of the cooling tower on the Hammersmith Town Hall Extension took place in September 2013. The inspector issued the Council with a Fee for Intervention letter requesting clarification on how the council's contractors access the tower for cleaning, the cleaning process, the condition of the coils and impact of weekend shut downs. Works have been scheduled to address the matters raised in the letter.
- 5.11. The third inspection followed a notifiable incident previously referred to in the Annual Governance Statement. A dangerous occurrence notification was made by the Council in accordance with regulation in January 2013 in relation to a boiler room (not accessible by the public) where asbestos containing material may have been disturbed. Air tests were undertaken shortly after and confirmed that the area was within safe limits. Improved

controls including an appointed person taking up post for the control of Asbestos and the creation of asbestos management plans for all corporate buildings managed under the Smart FM portfolio were completed. Following a subsequent HSE inspection of the premises in August 2013. The inspector was satisfied that the asbestos management system within the organisation was satisfactory and no enforcement action was taken.

- 5.12. Under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013 a total of 13 reports were filed with the HSE, a reduction of 6 on the previous year; see Appendix 4 for departmental breakdown.

Tri-borough Health and Safety Management

- 5.13. Tri-borough corporate safety teams have worked closely together since the inception of the collaboration. Statements of Intent link the three sovereign policies and safety management systems. The councils' internal TriBnet acts a common portal for communication providing staff and managers with contacts and guidance.
- 5.14. In addition, to ensure there is suitable and sufficient communication and consultation across the Tri-borough collaboration there are Tri-borough safety committees in place for Adult Social Care, Children's Services and Libraries, which meet quarterly.
- 5.15. Work continues across the Tri-borough (Westminster City Council, London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea), to harmonise and simplify processes whilst ensuring the risks are managed.

Bi-borough Integration

- 5.16. In March 2013, following a review of the service, the Member's Board approved the proposed integration of the corporate safety teams for the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea.
- 5.17. A bi-borough saving of £40,000 has been identified as part of the proposal, for delivery by April 2014.
- 5.18. Implementation is expected by January 2014.

Facilities Management

- 5.19. Effective facilities management is an essential part of the council's health and safety management system and allows for efficient and coordinated provision of facilities such as fire wardens, fire drills / alarm tests, fire fighting equipment and first aiders as well as simplifying asbestos management and the control of legionella and contractors. Smart FM manage the planned maintenance programme for the corporate portfolio.
- 5.20. As of 1st October 2013 facilities management of corporate buildings across the Tri-borough transferred to AMEY. The LINK, a team of council officers hosted by RBKC, acts on the councils' behalfs to monitor the performance of AMEY in all areas.
- 5.21. The three councils' corporate safety teams are in regular contact with all parties during this transitional phase to decrease risk.

- 5.22. Tri-borough corporate safety teams will monitor performance overall in terms of health and safety. It is expected that a single facilities management provider working to common systems will improve overall health and safety compliance.

6. GENERAL HEALTH AND SAFETY

Accidents and Incidents

- 6.1. Accidents and incidents are recorded via an on-line system which has recently merged with RBKC and WCC into a single system. The integrated reporting mechanism simplifies reporting for Tri/Bi borough officers working across multiple sites under the management of non LBHF staff.
- 6.2. The accident and incident statistics for the rolling 12 month period are shown in Appendix 3. In summary there were 134 accidents (excluding schools) and 184 violent incidents. Overall this is a slight reduction on previous years showing a downward trend and heightened awareness of health and safety.

Training

- 6.3. Training across the organisation is key to ensuring staff are appropriately informed about both their own and others' health and safety. All new staff are required to undertake an on-line induction course; this programme has also been rolled out to existing staff. Staff should refresh their knowledge every two years.
- 6.4. All managers are required to undertake a health and safety for managers training session and a course on risk assessment. More bespoke training is provided based on departmental needs and the findings of risk assessments, for example, asbestos management, manual handling, gas safety, personal safety etc.
- 6.5. Training records for the last 12 months are included in Appendix 4.
- 6.6. Training continues to be reviewed holistically and where applicable shared across the Tri-borough portfolio to both standardise approach and reduce costs.
- 6.7. Training in asbestos awareness continues to remain a council priority and it is targeted at the most relevant personnel. An on-line course is currently in development to improve accessibility among a wider audience.

Cross-Cutting Audits

- 6.8. Health and safety compliance is monitored through a number of proactive and reactive processes in line with the HSG65 safety management system (currently under revision). The main tool for ensuring compliance is auditing of services to identify any foreseeable gaps. Audits are undertaken on a risk-based analysis of the organisation and planned throughout the year.
- 6.9. A number of cross-cutting audits have been undertaken across the Council with recommendations put forward as applicable. Core audits in the last 12

months include gas safety and lifting equipment. A fire safety audit is in draft and an asbestos management audit is currently being scoped.

6.10. Gas safety across the Council's stock portfolio of residential homes and corporate buildings remains robust. Key audits findings are:

- A contract has recently been finalised with MITIE to carry out all Housing repairs and maintenance including gas safety checks. Housing needs to ensure that arrangements to monitor gas compliance (and other safety issues) are in place
- As of October 2013 Amey undertake the facilities management of all corporate buildings. This includes management of relevant gas appliances and annual safety checks. Robust gas safety monitoring arrangements for corporate buildings need to continue.
- Work is needed to adjust the procurement process for the Adult Social Care Supporting People contracts to ensure as far as possible that concerns are identified before contracts are signed.
- Significant work has been carried out as part of the on-going Housing Options project to audit the safety arrangements (in particular gas and fire) in place for Supporting People contracts after they are in place.
- Efforts have been made over the past two years to highlight leased commercial premises which could be of greater risk (e.g. a restaurant under a council housing block) and to ascertain the gas, fire and electrical compliance at these properties; work is being undertaken to resolve this situation.

6.11. The key finding of the Lifting equipment audit are:

- Further evidence (risk assessment and methods) for lift shaft working and additional assurance for lift shaft working by contractors is required.
- Suitable systems of permits to work should be implemented for both Corporate and Housing lift works.
- Clarification is needed of the responsibilities and arrangements for monitoring of the Bureau Veritas contract for 'thorough' inspections.
- Confirm arrangements for the handover of responsibility for the corporate portfolio to TFM (Amey). This should include the development of suitable performance and monitoring measures required, as well as practical measures to ensure suitable compliance is maintained, such that lifts remain safe and operable during transition.
- Continued work is required to establish a comprehensive database of all fixed adaptations within individual homes including council properties. This database needs to be effectively monitored so that appropriate servicing, maintenance and testing is completed as necessary.
- A number of emerging themes (contractor management) were identified, and require further elucidation and follow up as necessary.
- Arrangements between HRD and ASC (Community Independence Services) need to be confirmed along with contractor monitoring.

- Peripheral lifting equipment (e.g. ASC premises hoists) are not currently being inspected by Bureau Veritas; local arrangements with other contractors are in place.

7. DEPARTMENTAL PERFORMANCE MANAGEMENT

- 7.1. Reports summarising key audits, inspections and general issues by department are provided quarterly to Executive Directors. Performance over the last 12 months is summarised below.

Adult Social Care

- 7.2. The Adult Social Care department is a Tri-borough department (with Westminster County Council and the Royal Borough of Kensington and Chelsea) which is hosted by the London Borough of Hammersmith and Fulham. Given its size and complexity a service specific safety committee has been established to monitor health and safety compliance.
- 7.3. A full departmental audit has been undertaken over the last 18 months including Learning and Development, Partnership arrangements the West London Mental Health Trust, Community Independence Services, Provider Services, Mental Health and Adult Social work. Weaknesses originally centred around risk assessments and lone working. Recommendations have been agreed and improved measures are being embedded.
- 7.4. Inspections have been carried out at key sites including: 17 Rivercourt Road, Ellerslie Road Day Centre, The Claybrook Health Unit, 77 Glenthorne Road, Charing Cross Hospital, Coverdale Road, Options Day Centre and Sunberry Day Centre. A number of facilities management issues were identified with recommendations put forward and are being addressed as part of an action plan.

Children's Services Department

- 7.5. The Children Services department is a Tri-borough department which is hosted by the Royal Borough of Kensington and Chelsea. Given its size and complexity there is a service specific safety committee has been established to monitor health and safety compliance.
- 7.6. The audit identified that there are good examples of risk assessments for clients but that controls for lone working and general health and safety needed improvement. Organisational changes, which are now settling, mean that organisational arrangements need to be reviewed and updated. An action plan is in place.
- 7.7. Site inspections were undertaken at The Haven, Cobbs Hall Office, 49 Brook Green and Askham Contact Centre. Recommendations around facilities management have been put forward and are being addressed as part of an action plan.

Schools

- 7.8. The Council retains a duty of care in schools where it is the employer and/or there are lease arrangements in place. There are just over 50

schools in the borough of which 29 are Community schools for which the Council is the employer. A buy back service for safety advice to schools outside this remit is available and a number have already signed up to an annual service level agreement.

- 7.9. A number of schools are moving to Academy status where, subject to building lease arrangements, the Council will no longer have a duty of care, which passes in its entirety to the Trust.
- 7.10. A fire safety review of 18 community schools has been completed. Two schools were advised that the means of escape was compromised; the schools had contracted out the replacement of fireproof glazing with normal glazing, these issues are now resolved.
- 7.11. Concerns have been raised with the extraction systems in the school kitchens not meeting current standards. An assessment has been carried out by consultants and recommendations put forward for improvement.
- 7.12. The outsourcing of Schools Resources to the mutual 3BM now places the responsibility for contract management with the Tri-borough Director of Finance & Resources (Childrens' Services), which includes asbestos management in schools. Arrangements for asbestos management are currently subject to review. Asbestos surveys of all schools are in place. At the time of writing, approximately 12 of 26 community schools had Asbestos Management Plans in place; the others are in development.

Environment, Leisure and Residents Service

- 7.13. The department has good organisational arrangements in place. It is responsible for the management of key third party providers Serco, Quadron and Greenwich Leisure Ltd. Routine performance management meetings and ad-hoc inspections have identified no significant issues.
- 7.14. Two key sites remain a high priority: Bagley's Lane and Linford Christie Stadium. Bagley's Lane is a busy site and the home of the waste collection vehicles. Separation of pedestrians from vehicles is a concern, though entrance gate upgrade works are planned. The Linford Christie Stadium buildings are in poor condition. Roof works to repair the leaks are currently underway. The management of asbestos and water hygiene remains a high priority and a number of recommendations are being implemented.

Finance and Corporate Service

- 7.15. The department has good organisational arrangements in place. An audit identified issues around the works undertaken by the IT provider and the facilities management team. Recommendations have been adopted to resolve these conflicts.
- 7.16. The department has reviewed and updated its policy and is communicating this to its staff.

Housing and Regeneration

- 7.17. The department has its own health and safety compliance team including fire risk assessors to manage the large stock of over 13,000 residential properties and around 600 third party, short-term lets.

- 7.18. Key areas of risk are around fire and gas safety. Much progress has been made in terms of fire safety with no recent enforcement notices served by the Fire Brigade. A new housing-specific fire safety policy and strategy are in place and progress remains good. An issue around recording and monitoring of actions emanating from fire risk assessments remains and options for an asset management system are being explored.
- 7.19. The recent cross cutting lift audit identified a number of recommendations which are being implemented.
- 7.20. The appointment of Pinnacle and MITIE to run services on the Council's behalf introduces risks around contractor management. The department is aware of these risks and is working to ensure the appropriate systems are in place.

Transport and Technical Services

- 7.21. As of October the facilities management of the corporate portfolio (approximately 200 buildings) transferred from Transport and Technical Services to Amey. Amey comes under the management of the Link, the Tri-borough Client function, hosted by the Royal Borough of Kensington and Chelsea. A Service Level Agreement is in place between the Tri-borough safety teams to ensure sovereign compliance is maintained. The duty of care still remains with the Council.
- 7.22. Parking enforcement is subject to the highest level of physical and verbal assaults across the Council. The recent introduction of personal body cameras, subject to a review of safety measures, has helped to significantly reduce the frequency. However, officers need to remain vigilant and apply the training given to avoid incidence where possible. A report to the Transport, Environment and Residents Services Select Committee in June 2013 outlined the initial positive results.
- 7.23. A stress management survey and action plan with parking enforcement, supported by the Executive Director, has been rolled out. A recent re-survey found positive improvements amongst staff despite on-going organisational changes.
- 7.24. Audits of Building Control and Highways have identified a number of weaknesses around risk assessments for staff based activities. A bi-borough group is reviewing the recommendations.
- 7.25. In March of this year an Appointed Person for the management of asbestos was recruited. All corporate buildings, previously managed by SmartFM (council's facilities management team), have completed surveys and asbestos management plans are in place to current legal standards.

8. EQUALITY IMPLICATIONS

- 8.1. There are no direct equalities implications arising from this report.
- 8.2. Equality issues, for example, egress in the event of an emergency, musculoskeletal issues from smartworking, out of hours work during pregnancy, stress on social workers are considered as part of the inspection and auditing process undertaken by corporate safety on a day to day basis and reflected in corporate policies.

8.3. Implication verified by Carly Fry, Opportunities Manager, FCS, x3430

9. LEGAL IMPLICATIONS

9.1. The legal implications are incorporated in the body of the report.

9.2. Implications verified/completed by: Tasnim Shawkat, Bi-borough Director of Law, FCS, x2700

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Health and safety issues can lead to financial consequences, as summarised by the cost of employee related insurance claims in the table below, although there are no direct financial implications arising from this report.

Claims 2009 to 2013

Cause	No. Claims	Total - Paid & O/s
Accident - Slip or trip	3	£33,070
Accident - Travelling	1	£0
Accident Own Premises	7	£102,201
Assault	7	£44,990
Defective Tools/Equipt.	1	£10,912
Lifting - Job Related	2	£15,937
Repetitive Work Process	1	£10,000
Use Of Machines/Equipt.	2	£17,700
Use Of Tools	1	£19,100
Total	25	£253,910

10.2. Implications verified/completed by: Mark Jones, Director for Finance TTS and ELRS, x6700

11. RISK MANAGEMENT

11.1. An organisational risk profile of significant hazards is in place. This is reviewed quarterly in conjunction with corporate safety and the Bi-Borough Risk Manager. Proposals for the integration of the service with that of the Royal Borough of Kensington and Chelsea will assist with the management of health & safety risk at front line service level. Health and Safety risk management is considered on the Bi-Borough Enterprise Risk Register, 7 a. Managing statutory duty and was also considered on the Annual Governance Statement for 2012-2013.

11.2. Implications verified/completed by: (Michael Sloniowski, Bi-borough Risk Manager, telephone 0208 753 2587)

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
	None		

Appendix 1: Significant Organisation Risks

Category	Potential Risk	Risk	Potential Consequence	Controls/Assurances
Management	Control of contractors delivering services on the council's behalf	Risk not suitably or satisfactorily assessed/Inadequate or inappropriate performance measures or reporting mechanisms	Possible loss of life or serious injury/ Corporate Manslaughter/Criminal & Civil litigation/ Environmental damage/ Significant financial penalties	<ul style="list-style-type: none"> Corporate procedure CHAS requirement/procurement process Key performance indicators Audits Quarterly performance report to HFBB HFBB, Corporate Safety Committee, Adult Social Care Safety Committee, Internal Audit, Health and Safety Executive, DMT's
	Transition to total facilities management	Misunderstanding about roles and responsibilities for both hard and soft TFM/Misinformation or missing information about building profiles/Transition of works programmes stemming from risk assessments/	Possible loss of life or serious injury/ Corporate Manslaughter/Criminal & Civil litigation/ Environmental damage/ Significant financial penalties	<ul style="list-style-type: none"> Service Level Agreement Contract Key performance indicators Mobilisation team LINK (client management team) Fortnightly meetings with Link H&S officer Sovereign compliance officer Strategic Facilities Management Board, Programme Board, HFBB, Corporate Safety Committee, Internal Audit, Health and Safety Executive, DMT's
	Management of Tri/Bi-borough service delivery	Misunderstanding about roles and responsibilities/inadequate resource	Possible loss of life or serious injury/ Corporate Manslaughter/Criminal & Civil litigation/ Environmental damage/ Significant financial penalties	<ul style="list-style-type: none"> Statement on intent for Tri/bi-borough services Tri/bi-borough department specific Safety Committees Agreed action plans Single accident database Bi-borough integration of Corporate Safety HFBB, Corporate Safety Committee, Adult Social Care Safety Committee, Internal Audit, Health and Safety Executive, DMT's
	Performance management of third party properties	Non-compliance of third party premises supporting council residents/Inadequate monitoring or performance	Possible loss of life or serious injury/ Corporate Manslaughter/Criminal & Civil litigation/ Environmental damage/ Significant financial	<ul style="list-style-type: none"> HFBB quarterly report Corporate Safety Committee Internal Audit Health and Safety Executive, T&TS DMT

Category	Potential Risk	Risk	Potential Consequence	Controls/Assurances
		management	penalties	
People	Violence (Physical and Verbal) to staff, clients and service users	Failure to identify, eliminate or mitigate the nature and causes of violence in the workplace. Failure to appropriately share risk information between partners / contractors.	Loss of life or serious injury/ Criminal & Civil litigation/ Significant financial penalties/ Increased sickness absence/ loss of productivity/High staff turnover	<ul style="list-style-type: none"> Corporate incident (VI&A) recording system Local risk assessments Staff Training Safe systems of work
	Lone working	Failure to identify and react to the exposure to hazards from Lone Working: Security, Safety	Loss of life or serious injury/ Criminal & Civil litigation/ Significant financial penalties/ Increased sickness absence/ loss of productivity	<ul style="list-style-type: none"> Corporate Lone Working procedures Risk Assessment process Training Safe systems of work
	Psychosocial stressors	Failure to identify and react to the causes of stress in the workplace	Increased sickness absence/loss of productivity/industrial and civil claims/reputational risk	<p>The Employee Assistance Programme, 1-2-1's, Staff performance appraisals, Corporate absence procedures, Risk assessment, Learning and Development, Occupational Health Support, Targeted interventions i.e. Parking Services</p> <p>Corporate Workforce Group, JMT/SEB, Executive Directors and Managers will review results of the Your Voice Survey and take appropriate actions, HFBB, Audit Pensions and Standards Committee, Corporate Safety Committee, Internal Audit, Health and Safety Executive, DMT</p>
	Slip and Trip accidents involving staff and where applicable members of the public, and service users	Safety management system failure/Inadequate controls/ Inadequate property management /Inadequate resources/ Inadequate monitoring or inspection	Serious injury/ Property damage via neglect/ Criminal & Civil litigation/ Significant financial penalties/ Increased sickness absence/ loss of productivity	Highways Maintenance Manager, undertake inspections and maintain a database of incidents, Housing records each incident from a call, to a response and repair on location by block or individual property. Estates inspections for HRD undertaken by Highways inside estates particular to Caretaker. Claims recorded on Lachs before sending to insurers. Ongoing maintenance programme / reporting of issues by staff or public / Management of claims as part of insurance process, Inspections / site visits/ audits

Category	Potential Risk	Risk	Potential Consequence	Controls/Assurances
	Infection control	Inadequate controls or assessments	Fatality/illness/absence from work/loss of productivity	Corporate procedure and guidance, risk assessment, vaccinations
Premises	Gas Safety Management	Safety management system failure/Inadequate resources/Inadequate monitoring/Access to premises/Limited Council control/No gas appliance asset list	Loss of life/Property damage/Corporate Manslaughter/Criminal & Civil litigation/Significant financial penalties	Corporate Gas safety policy and procedure/ Engineer Competency Checks/ 10% physical and documented checks/Ad-hoc inspections/Training/KPI, Series of internal and external audits at varying frequencies/Quarterly performance indicators
	Asbestos Management Schools	Safety management system failure/Inadequate controls/Inadequate control of contractors/Inadequate resources/Inadequate monitoring/Lack of awareness/No Appointed Person/No asbestos management plans/No training/ No Client function, third party (3BM mutual)	Future Loss of life/ Service and property closure/Corporate Manslaughter/Criminal & Civil litigation/Significant financial costs/Reputational damage	Asbestos Surveys by competent contractor/development of asbestos registers/removal of asbestos containing materials reactively/limited school training, Tri-borough Strategy being developed
	Control of Legionella in water systems	Safety management system failure/Inadequate controls/Inadequate resources/Inadequate monitoring/Lack of awareness/Failure to meet set completion dates	Loss of life/Corporate Manslaughter/Criminal & Civil litigation/Significant financial penalties	Corporate policy/ water hygiene risk assessment programme inc. ongoing maintenance, testing and where needed works/ inspections, Inspections/Audits/Quarterly performance indicators
	Fire Safety Management: Housing: Approx. 13,000+ residential (inc. high rise tower	Safety management system failure/Inadequate controls/ Inadequate property management systems	Loss of life/Corporate Manslaughter/Loss of property/ Criminal & Civil litigation/Significant financial penalties	Corporate policy/ fire risk assessment programme/ performance indicators/inspections/training/fire drills (where applicable)/emergency plans, Inspections/Audits/Quarterly performance indicators Improved security of blocks to prevent unauthorised

Category	Potential Risk	Risk	Potential Consequence	Controls/Assurances
	blocks) and 550 third party residential	(housing)/Inadequate resources/Inadequate monitoring/Lack of awareness/Failure to meet set targets		occupation of areas such as electrical intake rooms. Duties holders (Directors) responsible for Corporate Portfolio
	Lifting Equipment	Safety management system failure/Inadequate controls/ Inadequate property management systems /Inadequate resources/ Inadequate training/ Inadequate or lacking thorough examination and test arrangements/ unsafe equipment	Loss of life or serious injury/ Property damage/ Corporate Manslaughter/Criminal & Civil litigation/ Significant financial penalties	1. Corporate policy 2. Regular thorough examination and testing of equipment 3. Performance indicators 4. Inspections 5. Rolling sample of audits of contractors, procedures, documentation by the Corporate Safety

Appendix 2 – Corporate Safety Business Plan 2013 – 2015

Identify Risks	Theme	Description	Actions	Measure
See organisational risk management profile	Management	Organisational Risk Management Profile	Quarterly review of identified risks and their status	Profile updated and recommendations actioned
	Management	Review Corporate Health and Safety Policy & take account of Tri-Borough working	Annual review of corporate policy	Any revisions consulted with safety committee and signed off by CEO
	Management	Tri-Borough Working	Align procedures and key systems including accident reporting.	Any revisions consulted with safety committee
	Management	Bi-Borough Integration	Integrate LBHF and RBKC safety teams. Identify department leads. Combine business plans and risk management profiles. Review. Work towards a single corporate policy and procedure set. Develop and implement single training plan, merging safety committees and admin support.	Single Bi-borough corporate policy. Single set of bi-borough procedures
	Management	Host Borough Coordination Role: Adult Social Services	Lead on ASC Safety Committee and coordination of action plans (see plans)	Statement of intent. Service specific safety committee in place. Agreed KPIs
	Management	Rolling Audit Programme Transport & Technical Services Department H&S Arrangements	Sample audit of departmental plan, risk assessments etc. for Building Control and Highway	Audit results and any recommendations with timetable signed off and agreed
	Management	Rolling Audit Programme Environment, Leisure and Residents Department H&S Arrangements	Sample audit of departmental plan, risk assessments and key contractors SERCO and QUADRON	Audit results and any recommendations with timetable signed off and agreed
	Management	Rolling Audit Programme Housing and Regeneration department H&S arrangements	Sample audit of departmental plan, risk assessments etc. with focus on lone working, potentially violent service users and control of contractors	Audit results and any recommendations with timetable signed off and agreed

Management	Rolling Audit Programme Adult Social Services Department H&S Arrangements	Sample audit of departmental plan, risk assessments etc. with focus on lone working, potentially violent service users, stress management and control of contractors	Audit results and any recommendations with timetable signed off and agreed
Management	Rolling Audit Programme Children's Services Department H&S Arrangements	Sample audit of departmental plan, risk assessments etc. with focus on lone working and stress management	Audit results and any recommendations with timetable signed off and agreed
Management	Audit Finance & Corporate Services Department H&S Arrangements	Sample audit of departmental plan, risk assessments etc.	Audit results and any recommendations with timetable signed off and agreed
Management	Children's Services Action plan for all schools in the borough in place	Specific Action Plan	Audit results and any recommendations with timetable signed off and agreed
Management	Management arrangements between Children Services and Schools H&S	Sample audit of arrangements for schools resources and communication arrangements	Audit results and any recommendations with timetable signed off and agreed
Management	Total Facilities Management and Client Arrangements	Establish and agree monitoring arrangements with new client and TFM provider	Agreed SLA
Management	Review facilities management of community schools	Establish and agree monitoring arrangements	Policy to be agreed with ChSD
Management	Audit Control of Contractors H&S Arrangements	Rolling annual sample audit of arrangements of corporate control of contractors and permission/permit to work scheme in BPM/TFM	Audit results and any recommendations with timetable signed off and agreed
Premises	Audit Fire Safety Arrangements	Review 2012 audit findings and recommendations	Audit results and any recommendations with timetable signed off and agreed
Premises	Audit of Water Treatment H&S Arrangements	Review 2012 audit findings and recommendations	Audit results and any recommendations with timetable signed off and agreed

Premises	Audit of Lifting Equipment H&S Arrangements	Rolling sample audit of arrangements of contractors, procedures, documentation, Thorough Examination records etc.	Audit results and any recommendations with timetable signed off and agreed
Premises	Audit Gas Arrangements	Rolling annual sample audit of arrangements, documentation, certification etc.	Audit results and any recommendations with timetable signed off and agreed
Premises	Active Inspections of Key Sites	Identify premises for inspection in order of risk (with regard to Smart FM Conditional Survey). Programme over 12 months. Include Hostels, Bagley's Lane, Linford Christie Stadium for Re-visits	Inspections results and any recommendations with timetable, signed off and agreed
Premises	Asbestos Management Arrangements Schools	All community schools to have individual asbestos management plans and relevant staff offered asbestos awareness training either on or off site.	AMPs for all schools signed off and audited for compliance
Premises	Audit Asbestos Management Arrangements	Rolling annual sample audit of arrangements, asbestos management plans, asbestos register etc.	Audit results and any recommendations with timetable signed off and agreed
Premises	Linford Christie Stadium Management Plan	Work with BPM and site managers to agree 5 year action plan separating planned maintenance from long-term investment solutions	Plan signed off
Premises	Bagley's Lane Management Plan	Work with BPM and site managers to agree 5 year action plan separating planned maintenance from long-term investment solutions	Plan signed off
People	Smartworking arrangements (DSE, fire wardens, first aid etc.)	Policy in place. Roll out training.	Agree with Link/Amey occupational plan
People	Training Plan Staff	Promote, monitor and audit departmental training plans	Audit
	Training premise management	Asbestos awareness, legionella, lifts, gas safety, working at height, permits to work	Relevant personnel identified. Tool box training delivered
People	Stress Management Training	Train manager representatives, safety champions and key staff in stress management systems	
People	Musculoskeletal disorders (MSD) e.g. back / neck pain /Smart Working	Roll out self –certification and DSE training	Adopt complywise training package

Appendix 3 – Accidents and Incidents statistics from 1 October 2012 to 30 September 2013

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013 (reportable to the HSE)

Department	Total RIDDOR Incidents 11-12	Total RIDDOR Incidents 12-13	Staff RIDDOR 11-12	Staff RIDDOR 12-13	Member of the public / Service / contractor user RIDDOR 11-12	Member of the public / Service / contractor user RIDDOR 12-13
CHS	1	4	0	2	1	2
ASC	3	1	2	0	1	1
ELRS	3	1	0	0	3	1
TTS	3	1	2	1	1	0
FCS	2	3	2	2	0	1
Libraries	0	1	0	0	0	1
HRD	7	2	5	0	2	2
Total	19	13	11	5	8	8

Department	Total incidents	Accidents	School accidents	Near Misses / dangerous occurrence	Violent Incidents & Assaults	Other Incidents
CHS	284 (-10%)	23	220	2	34	5
ASC	80 (+29%) (*includes a additional premises)	19	-	5	54	2
ELRS	44 (+5%)	31	-	4	9	0
TTS	73 (-29%)	14	-	5	52	2
FCS	16 (-45%)	8	-	2	6	0
Libraries	27 (-39%)	6	-	0	9	12
HRD	63 (+11%)	33	-	1	20	9
Total	587	134	220	19	184	30

Accident cause	Year 11-12	Year 12-13
Animal / insect bites & stings	1	0
Collision with moving object	1	2
Contact with heat/cold	2	1
Cuts/sharp objects	3	5
Equipment/vehicle fault	1	1
Existing condition / natural causes	0	1
Exposure to hazardous substance	1	1
Fall while ascending / descending	2	5
Fire	0	1
Hit by moving / flying objects	3	1
Hitting / stepping on structure/ object	6	11
Manual handling	14	4
Other / not known	13	4
Physical assault / bullying	0	2
Repetitive movement injury	0	4
Road Traffic Accident	3	2
Slip/trip	23	24
Struck by falling object	3	0
Trapped/caught in machinery	0	2
Using non-powered hand tools	1	0
Total	77	71

Appendix 4 – Training Statistics from 1 October 2012 to 30 September 2013

Department	Total Staff Trained#	Learning Induction/Refresher	IOSH Managing Safely	Health & Safety Induction for managers	Risk Assessment for Managers	Control of Substances Hazardous to Health	Manual handling	Fire Wardens	First Aid 1 day course	First Aid 3 day course	First Aid Refresher	Gas Safety	Personal safety	Asbestos Awareness	Stress Management	CDM procedure	Working at height	Permit to work/Contractor Management	Evac Chair
CHS	38	14	0	0	3			20	0	0	0		15						
ASC*	95	21	4	6	13	5		12	6	2	2	1	44						
ELRS	25	22	2	3	4	1		4	1	1	2	1	5		1				
TTS	79	32	5	29	6			12	7				20	52					
FCS	12	29	0	3	2			4		1			2						
Libraries	3							3					0						
Chief Exec Office	1	1	1					0					0						
HRD	54	26	2		6			10	1	4	6	5	8	23	6		6		
External	29	-	0	1	1			17		1			9						
Totals	411	145	14	42	35	6	0	82	15	9	10	7	103	75	7	0	6	0	0

* Inc. Tri-borough and NHS integrated commissioning dept. # Not including E-learning

Agenda Item 9

	London Borough of Hammersmith & Fulham Audit Standards and Pensions committee 5 December 2013
Corporate Anti Fraud Service Report 1 April 2013 to 30 of September 2013	
Open Report.	
For Information	
Wards Affected: None	
Accountable Executive Director: Jane West	
Report Author: Andrew Hyatt Bi-borough Head of Fraud	Contact Details: Tel: 0208 361 3795 E-mail: andrew.hyatt@rbkc.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 This report provides an account of anti-fraud related activity undertaken from 1 April 2013 to 30 September 2013.
- 1.2 Performance for the Corporate Anti Fraud Service (CAFS) is measured in numbers of sanctions and positive outcomes delivered (i.e. prosecutions, penalties, formal cautions or other action taken directly).
- 1.3 Since April 2013 CAFS have identified 69 positive outcomes including eight prosecutions, five recovered social housing properties and three false housing applications in the first half of the year.
- 1.4 Of the 177 cases referred to CAFS for potential investigation 92 were accepted although 23 were rejected due to lack of information and 62 lower risk referrals closed due to resource constraints.
- 1.5 The service has identified and recovered over £100k from its operations with additional recoverable debt of £915k identified. The total value of fraud identified for the first half year is £2.3 million. Full details are reported at Appendix A, for information

2. RECOMMENDATIONS

- 2.1 Note the fraud work undertaken since April 2013 to the end of Quarter 2.
- 2.2 Note the latest information about the Single Fraud Investigation Service.

3. REASONS FOR DECISIONS

3.1 To inform the committee of the actions of the Council's counter fraud response.

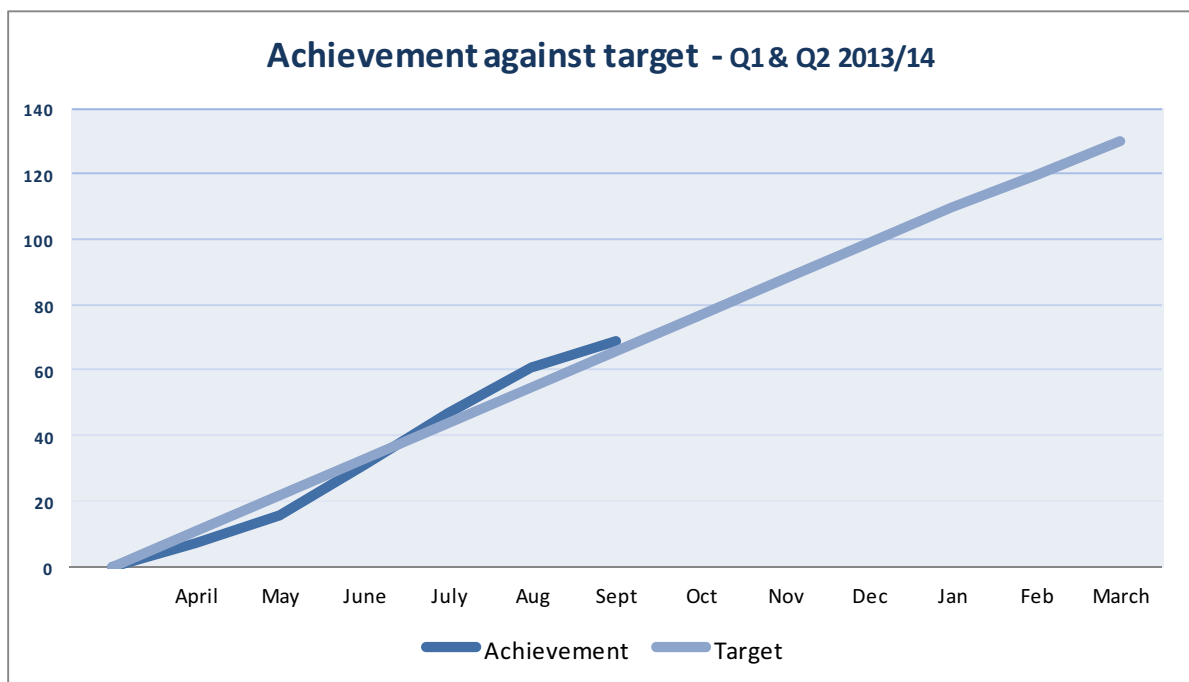
4. INTRODUCTION AND BACKGROUND

4.1 CAFS is part of the Bi-borough Anti-Fraud Service which came into effect from 1 July 2013, forming a working partnership with the Royal Borough of Kensington and Chelsea's Corporate Investigation Group.

4.2 Although CAFS will remain a single entity within Hammersmith & Fulham, the partnership aims to reap a number of benefits including the sharing of skills and expertise, a "compare and contrast" review to identify the best practice, and the streamlining of anti fraud related policies and procedures.

4.3 CAFS will continue to provide Hammersmith & Fulham with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council. It remains an intelligence led operation covering three areas. Corporate fraud, which also includes our proactive response and our financial investigators, Benefits fraud and Housing/Tenancy fraud.

4.5 The table below shows current achievement against target.



4.4 CAFS were set a target of 130 positive outcomes at the start of the financial year, the same target as per 2012/13, and following the commencement of the Bi-borough Anti-Fraud Service (1st July 2013) targets have remained unchanged for 2013/14 due to the following reasons;

- Reduction in resources available due to two officers being seconded at the start of the year to a special project which is expected to continue throughout 2013/14 thereby reducing the overall resource of CAFS.
 - Impact upon resources whilst bringing all officers into the change management process to ensure they were fully engaged (i.e. target operating model design). Period of adjustment whilst staff adapt to the change processes (i.e. lines of reporting).
- 4.5 Further resource implication due to staff absence may also affect the output of the team, although CAFS currently remains on course to achieve 130 positive outcomes.

5 HOUSING AND TENANCY FRAUD

5.1 CAFS has begun to improve its links with all partners responsible for Social Housing including the dedicated investigation and intelligence resource employed within H&F Housing and Regeneration Department.

5.2 CAFS deal with any reactive allegation received and seek to recover misused tenancies and prosecute where there is believed to be criminal activity. CAFS continue to receive referrals about a variety of housing elements including;

- Housing applications
- Under and over occupancy
- Assignment and succession
- Right to Buy
- Sub-letting
- Abandonment

5.3 A summary of the Housing/Tenancy Fraud cases identified by CAFS and H&F Housing and Regeneration Department for the first two quarters of 2013/14 are shown in the table below, along with an attributed value to the Council of the identified fraud.

Details	Totals	Attributed value to the Council
Fraudulent Housing Applications	3	£54,000
Properties recovered unopposed	21	£1,113,000
Properties recovered following court proceedings	2	£90,000
Notice To Quits issued or recommended	15	N/A
Succession refusals	4	£180,000
TOTAL		£1,437,000

Figures based upon Audit Commission measurements – full details provided in Appendix A

5.4 In addition to the financial value placed upon the recovery of fraudulently misused social housing there are also social and non-financial benefits which do not hold an intrinsic value.

- 5.5 The recovery of properties supports the reduction of families in temporary accommodation. In many areas (i.e. London) there is a shortage of suitable social housing, e.g. 3-bedroom property, and therefore Councils rely upon the private sector to meet the high demand but at a high marketable rent. In many cases these properties are outside the borough where the family originally became homeless thereby locating them away from their friends, relatives and community.
- 5.6 The recovery of social housing also ensures more suitable properties are available for those in genuine need, and provides the opportunity to take families out of the high rental charges of temporary accommodation and into affordable accommodation. This returns the family to their original community and provides the opportunity to pay more affordable rent and thereby remove their reliance upon benefit assistance to cover their accommodation costs.

Department for Communities and Local Government Grant Funding

- 5.7 Bi-borough successfully tendered a bid in February 2013 for grant funding from Department for Communities and Local Government which was verified in April 2013.
- 5.8 The bid provides £384,000 shared between H&F and RBKC over two years which will be used to tackle Tenancy Fraud. The key aspects of the bid include:
- The provision of Registered Providers (RPs) across Bi-borough with investigative support with access to dedicated investigation officers and intelligence.
 - As founder members of the West London Hub both authorities will continue to develop, design and roll out the West London Hub, focusing efforts upon fraud prevention.
 - Hammersmith & Fulham will continue to apply data matching analytics to their Council stock in order to prevent and detect tenancy fraud. They will continue to provide a full tenancy verification service that includes inter department intelligence and verification checks.
 - The Bi-borough fraud service will host quarterly workshops, forums and extensive training with RPs to include the design, development and offer to RPs of free online training modules in order to underpin the workshop training and to educate and raise fraud awareness to frontline staff.
 - Design, develop and roll out a single online fraud referral service where incoming intelligence can be matched against the Bi-borough datasets in order to risk assess allegations and focus resources towards high risk areas.

- 5.9 As part the bid detailed above H&F Housing and Regeneration have maintained a dedicated Tenancy Investigator and Intelligence post for 2013/14. Work has also commenced on data matching as detailed below.

Data-matching

- 5.10 The Housing & Regeneration Department review tenancies and have entered into a data matching exercise with a private sector provider (Experian) in order to identify potential tenancy fraud in Council stock. Tenancy details were provided to Experian and these were matched to financial datasets to form a financial footprint of each property and each tenant.
- 5.11 Where the financial footprint between the property and the tenant did not match Experian undertook a further analysis. In total 12,311 records were submitted of which 9,250 did not require investigation. Intelligence checks and Tenancy Audits are on-going with the more serious cases being referred to CAFS.

West London Hub

- 5.12 The potential to increase data matching and develop shared intelligence with other London Councils has been realised through the West London Hub.
- 5.13 Eight Local Authorities, including Hammersmith & Fulham have agreed to collaborate and formed the West London Fraud Hub Pilot (Westminster, The Royal Borough of Kensington and Chelsea, Hounslow, Brent, Barnet and Southwark).
- 5.14 The first stage will see all member Councils supplying their core Council Tax Reduction Scheme (CTRS) and housing data to Call Credit who will undertake analytics and provide anomalies to each Council for further investigation.
- 5.15 The next stage is to roll out the hub which will focus upon prevention, allowing the interrogation of the regularly updated data held by Call Credit (tenancy, waiting list and CTRS) at the point of entry to the housing system. This will enable officers to check new applications against the database to ensure applicants have not already been housed, registered or claiming CTRS in another borough.

Bi-Borough Tenancy Fraud Forum

- 5.16 CAFS hosted the first Bi-borough Tenancy Fraud Forum on 18 October 2013 at Hammersmith Town Hall. The event provided Registered Social Landlords (20 delegates) operating across the two Councils the chance to discuss issues relating to tenancy fraud and the misuse of social housing.
- 5.17 Presentations were provided on criminal offences falling within the new Prevention of Social Housing Fraud Act (effective from 15 October 2013), data sharing protocols, memorandum of understandings and fraud referrals.

- 5.18 CAFS plan to provide Registered Social Landlords with investigative and intelligence support in return for the nomination rights to any property CAFS recover as a result of a successful fraud investigation.
- 5.19 Tenancy Fraud can be closely connected to other types of fraud, so all delegates demonstrated a positive commitment to improving the sharing of intelligence and closer working in order to prevent, detect and deter public sector fraud.

6 BENEFIT FRAUD

- 6.1 Since April 2013 CAFS have applied sanctions against fraudulent benefit claimants totalling £105,363 including prosecution action, formal cautions and fines of £4,009.
- 6.2 A summary of the Housing Benefit cases investigated by CAFS in the first half of the year is shown in the table below.

Details	2012/2013 (full year)	Overpaid £'s	2013/2014	Overpaid £'s
Referrals	228	-	92	-
Accepted for investigation	82	-	38	-
Successful Prosecutions	11	159,325	7	90,585
Unsuccessful prosecutions	0	-	0	-
Formal Cautions	0	0	1	1,415
Administrative Penalties	4	23,141	4	13363
Total fraud identified		182,466		105,363
40% subsidy		72,986		42,145
Ad pen fines administered		6485		4,009
Total recoverable		261,937		151,517

- 6.3 Details of significant individual investigations resulting in successful prosecutions are reported at Appendix B, for information.

Single Fraud Investigation Service

- 6.4 The Fraud & Error Strategy: *Tackling fraud and error in the benefit and tax credits systems* contained a commitment to establish a Single Fraud Investigation Service (SFIS) to investigate Social Security welfare benefit and Tax Credit fraud across local authorities (LA), HM Revenue and Customs (HMRC), and DWP.
- 6.5 In 2011 an agreement was reached to test and review an interim partnership approach for a single fraud investigation. In 2012 four SFIS pilots began to test a variety of partnership approaches and a single set of policies and procedures to help identify the best delivery model.

- 6.6 The pilots continue to provide very useful feedback and valuable lessons have been learned which have informed our recommendations for the future of SFIS. The pilots are also demonstrating the value of a single investigation.
- 6.7 DWP have indicated that they are currently in consultation with experts to understand the impacts on staff in local authorities working on welfare benefit fraud, including the potential for TUPE (Transfer of Undertakings Protection of Employment).
- 6.8 Although work is underway to finalise the business case, Local Government consultation groups and representatives have raised concerns regarding the evaluation process and have requested a review of the appraisal process regarding all possible options.
- 6.9 The DWP hope to finalise their delivery approach to support a phased implementation and roll out during 2014/15.

7 PROCEEDS OF CRIME

- 7.1 The use of dedicated Financial Investigators continues to provide rewards with almost £100k recovered in the first half of the year.
- 7.2 Recent successes include a successful joint investigation, and confiscation with The Royal Borough of Kensington and Chelsea under the Bi-borough partnership. (See press release entitled “Benefit cheat had more than £50,000 gold bullion” in Appendix B).
- 7.3 Financial investigators have been actively pursuing opportunities to assist other departments across the Council which has led to a joint operation with Trading Standards that had resulted in a sizeable cash seizure.

8 CURRENT

National Fraud Initiative (NFI) 2012/13

- 8.1 In September 2012 Hammersmith & Fulham submitted all required datasets to the Audit Commission for the 2012/13 NFI.
- 8.2 The preliminary results from the NFI data matching exercise were received in March 2013 and distributed to the relevant parties. CAFS manage the process and will deal with any fraud matters that arise from matching anomalies.
- 8.3 The results identified potential discrepancies between data held across the Council’s systems and those of other public sector bodies participating nationally.
- 8.4 To date over 1,200 matches have been processed, 76 discrepancies identified and reviewed, 213 on-going enquiries and 2 frauds successfully

proven. The Audit Commission have valued Hammersmith & Fulham's public sector savings to date at £436,375.01.

International fraud awareness week

- 8.5 The Tri-borough Fraud teams, including CAFS took part in International Fraud Awareness Week, 3 – 9 November 2013, as an official supporter to promote anti-fraud awareness and education.
- 8.6 The three Councils joined hundreds of organisations who have partnered with the Association of Certified Fraud Examiners for the yearly campaign also known as "Fraud Week." The movement raises awareness of the need to proactively fight fraud and help safeguard the public and private sectors from the growing problem of fraud.
- 8.7 To mark the event a new interactive Tri-borough E-Learning Fraud Awareness training package was launched and all staff have been urged to take 10/15 minutes to complete the package.
- 8.8 During the week messages were sent to staff to heighten their awareness. Staff were also reminded of the importance of making referrals in a timely manner should they have grounds for concern, and were provided with details on how to make a fraud referral should a suspicion arise.
- 8.9 In order to underpin the message of "Fraud Week" a programme of classroom based Fraud Awareness Training was launched with six events scheduled in December and a further four in January 2014. Staff can book direct via the intranet using the Learning Centre application.
- 8.10 Fraud Awareness Training will also become a featured part of the Bi-borough Learning and Development annual curriculum.

National anti fraud network

- 8.11 CAFS have become members of the National Anti Fraud Network (NAFN) which provides intelligence support for the public sector.
- 8.12 There are several benefits associated with membership, including:-
- Providing intelligence support, reducing some of administration burdens faced by investigators when collating evidence from third parties
 - Processes which meet the requirements of relevant legislation and best practice standards ensuring compliance with RIPA
 - Recognition by the Home Office (membership to NAFN cited as best practice), DWP and the DVLA as an expert single point of contact for data requests

- The provision of regular fraud alert bulletins which are circulated across Council services to ensure departments such as Finance and Schools are aware of new and emerging fraud risks.

9. OPTIONS AND ANALYSIS OF OPTIONS

9.1 Not applicable

10. CONSULTATION

10.1 Not applicable

11. EQUALITY IMPLICATIONS

11.1 Not applicable

12. LEGAL IMPLICATIONS

12.1 Not applicable.

13. FINANCIAL AND RESOURCES IMPLICATIONS

13.1 Not applicable.

14. RISK MANAGEMENT

14.1 Not applicable.

15. PROCUREMENT AND IT STRATEGY IMPLICATIONS

15.1 Not applicable.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Operational and performance management papers.	A Hyatt	HTH

APPENDIX A

Financial Value of Counter Fraud Work Undertaken 2013-14 (to Q2)

<u>RECOVERABLE LOSSES (£)</u>	
HB overpayments (sanctioned)	105,363
HB overpayments (non-sanctioned)	234,705
Direct Payments	-
Internal (claims)	-
NFI	309,923
	£649,991
<u>SAVINGS (£)</u>	
Cash savings	
HB reduced/prevent/stopped	2,723
Local Taxation - NNDR, CT	3,575
Accessible Transport	3,380
Parking - business/residential	-
	£9,678
Notional savings	
Housing	54,000
Tenancy	1,383,000
Internal (staff/contractor)	67,025
NFI	150,500
	£1,654,525
Preventative	
Attributed savings	25,000
	25,000

<u>POCA (£)</u>	
POCA recovery	45,848
Confiscation	-
Compensation loss+	-
POCA costs	2975
POCA orders issued	48,889
	97,712
<u>MISC. INCOME (£)</u>	
Court Costs	1,215
Administrative Penalty	4,009
40% HB subsidy	259,996
Fraud recovery	34,962
	£300,182

Fraud identified

£2,339,194

Income generated

£397,894

Tenancy and Housing fraud notional values

Tenancy and Housing fraud has been valued using notional values quoted by the Audit Commission.

- **Tenancy fraud:** £45,000 per property based upon the average cost of temporary accommodation (£18,000 p.a.) multiplied by the average length of re-housing an average sized family (2.5 years). An additional £8,000 saving is also claimed when keys are returned based upon average cost of legal action and bailiff intervention to recover property via the court.
- **Succession or assignment fraud:** each time a fraudulent assignment or succession is stopped it frees up an additional unit and therefore this is valued at £45,000 for the reasons above.
- **Housing fraud (false applications):** £18,000 based upon the annual cost of housing a family in temporary accommodation.

Fraudster Flashey crafty with cashey

Monday April 8, 2013

A man who swindled Hammersmith & Fulham (H&F) Council out of almost £3,500 while serving a suspended sentence for fraud and theft has got away with a punishment described as “extremely lenient.”

, of Crefeld Close, Hammersmith claimed housing benefit on the basis that he was unemployed. However, the reality was that was being crafty with his cashey and had in fact been working for Tesco and a property company.

When interviewed by the council’s corporate anti fraud service, said that he did not know the benefit rules but then went on to say that he was facing financial difficulties which contributed to him not declaring the work.

The 31 year-old fraudster pleaded guilty to benefit fraud at Hammersmith Magistrates on February 26, 2013. However, at sentencing, Kingston Upon Thames Crown Court on April 4, Judge HHJ Price Q.C chose not to activate the suspended sentence as he claimed that had “done well” while serving it. Instead, was ordered to do 120 hours unpaid work over 12 months.

Cllr Greg Smith, H&F Council deputy leader said: “This extremely lenient sentence sends out completely the wrong message to potential benefit fraudsters and is a kick in the teeth for taxpayers.

“’s suspended sentence should have been activated to give him some time behind bars to think out the error of his ways. Instead, he is out on our streets and has to do little more than two hours of unpaid work a week.

“Despite this disappointing result, the council will continue to hunt benefit fraudsters. We can only hope that the courts take a dimmer view of their actions in future.”

Flashey also defrauded the Department of Work and Pensions out Income Support worth £3,946.

Woman applied for council home more than 100 times

Tuesday April 16, 2013

A woman who applied for a council home more than 100 times without telling the council that she owned a house in Hounslow has been found guilty of fraud offences.

, 29, was accepted onto Hammersmith & Fulham (H&F) Council's social housing register in 2008 on the basis that she was living with her parents in an overcrowded council home at Mackenzie Close on the White City Estate. But the cheat failed to declare a change in her circumstances one year later when she bought a home in Cobham Road, Hounslow. This meant that she was no longer eligible for housing.

She bid for council properties on 112 separate occasions, while at the same time having the gall to rent out her Hounslow home to private tenants. At one stage, was told to fill in a fresh housing application form but lied on the paperwork about not owning any property.

, was invited to attend an interview with H&F Council's corporate anti fraud service on three occasions, but opted not to do so.

She pleaded not guilty at Hammersmith Magistrates Court and was instead found guilty of two fraud offences at Southwark Crown Court on Friday, April 12. She was sentenced to 180 hours of community service.

Cllr Andrew Johnson, cabinet member for housing said: "I am appalled that this fraudster had the temerity to try and deprive someone in genuine need of a council home, by failing to tell the council that she had bought a house and was taking a rental income from it.

"We want to use our limited stock to give residents with a local connection, making a positive contribution a place to live, not for people who try to cheat the system time after time like . I hope thinks long and hard about the error of her ways when she is cleaning graffiti off walls or picking litter up from streets."

In the meantime, the council has also overhauled its housing allocations policy and is only allowing those with a five year local connection to the borough, a combined salary of less than £40,200, or those who are actually eligible for social housing onto its housing register.

The new rules mean that there are now approximately 1,100 people on the brand new social housing register, down from over 10,000 on the previous register

Fraudsters who impersonated armed robber jailed

Wednesday June 12, 2013

Two fraudsters who set up an elaborate ruse to claim almost £22,000 worth of benefits in the name of a man who was serving a 12 year prison sentence for armed robbery have been jailed for five months each.

_____ and _____ claimed housing benefits and job seekers allowance from June 2010 to October 2011 in the name of _____, who was jailed in 2010 for his role in a £250,000 armed robbery of a jewellers in Blackburn.

In their correspondence to the council, the duo asked for the benefits to be paid into an account in the name of _____ that had been fraudulently set up to receive the money. In fact, _____, 40, had already signed on at the Department for Work and Pensions impersonating _____ in order to claim the benefits. This was despite the fact that he had already signed on himself and had been working for Tesco without informing the authorities.

In an initiative codenamed Operation Cadillac, the Police arrested Thomas and Neville Williams in October 2011 and the council's corporate anti-fraud team began to unravel their plot. Searches at _____' home, at Rosaline Road, Fulham revealed numerous documents held in the name of _____. A debit card belonging to the fraudulent account set up in name of _____ was found in _____' car. CCTV evidence showed that both men had been seen at cash machines at the same time that cash had been withdrawn from _____'s account.

_____, 38, had previously made a fraudulent claim for £7,102 worth of housing benefit with Hammersmith & Fulham Council in 2003-4 when he had failed to declare a bank account containing over £5,000.

H&F Council deputy leader, Cllr Greg Smith, said: "This was a sophisticated plot to deprive the taxpayer of thousands of pounds. These crooks were willing to go to any length to satisfy their greed and I am delighted that they have got their just desserts.

“Benefit fraud will simply not be tolerated in Hammersmith & Fulham. The council and police does all it can to pursue benefit cheats and the message to anyone who is considering acting in such an unscrupulous fashion is that you will be caught and you will pay the penalty.”

On April 16, 2013, at Isleworth Crown Court, both men pleaded guilty to offences under the Fraud Act and the Social Security Administration Act. Thomas also pleaded guilty to the offence dating back to 2003-4.

By impersonating _____, they defrauded H&F Council out of £17,788 worth of housing benefit and council tax benefit. They also illegally claimed £4,209 from the Department for Work and Pensions. On June 10, also at Isleworth, both men were sentenced to five months in jail.

The council believes that _____ and _____ are cousins but has not been able to establish this categorically as _____ has repeatedly given no comment under interview

Fraudster given stark choice

Tuesday July 23, 2013

A benefits cheat who swindled the taxpayer out of more than £17,000 has been given a stark choice – pay the money back or go to jail for 11 months.

_____, 52, claimed Housing Benefit and Job Seekers Allowance on the basis that she did not have any significant savings. However, an investigation by Hammersmith & Fulham (H&F) Council, the Royal Borough of Kensington and Chelsea and the Department of Work and Pensions discovered that that she had undeclared bank accounts with up to £53,600 stashed away.

_____, of Holland Road, Kensington pleaded guilty to benefit fraud offences Hammersmith Magistrates Court on 14 May 2013. Due to the amount of the overpayment the case was then referred to Isleworth Crown Court for sentencing.

At the sentencing hearing, on July 8, _____ said that she had no intention of repaying the debt and would rather go to prison. Therefore, the matter was adjourned whilst investigators worked to freeze her bank accounts under the Proceeds of Crime Act 2002.

The matter was heard again at Isleworth Crown Court on July 18, 2013 by HHJ Edmunds QC. The Judge ordered Horgan to repay the full amount of the overpayments from the frozen

bank accounts or face 11 months imprisonment. She was also ordered to pay a fine of £7,500 or face six months imprisonment.

H&F Council deputy leader, Cllr Greg Smith, said: "This woman thought that she could help herself to public funds despite the fact that she had a very large sum of money hidden away in a bank account. Benefits are for those in genuine need – not those with £50,000 to fall back on. This council takes a zero tolerance attitude towards benefits cheats and I am delighted that the courts have also taken a very dim view of [redacted]'s actions."

During the period October 12, 2009 to April 29, 2012, Miss [redacted] was overpaid Housing Benefit amounting to £12,033.82 and Job Seekers Allowance amounting to £5,325.93.

She was also ordered to pay the full costs of the lengthy legal proceedings taken by Royal Borough of Kensington and Chelsea which amounted to £3,753.50

Benefit cheat had more than £50,000 gold bullion

Thursday August 8, 2013

A man who falsely claimed more than £50,000 in benefits pleaded guilty of fraud at Isleworth Crown Court and was sentenced to 24 weeks imprisonment on 6th August 2013.

[redacted] (aged 61) of King Charles House, Wandon Road SW6 had been placed in the accommodation by the Royal Borough of Kensington and Chelsea where he had claimed housing and council tax benefits from 1999.

Throughout the span of his claim Mr [redacted] declared savings of under £5,000. However a data matching exercise carried out by the Department for Work and Pensions revealed Mr [redacted] held savings in excess of over £50,000 which he had never declared to the Council.

Working jointly, investigators from the Royal Borough and the Department for Work and Pensions began enquiries in Mr [redacted]'s true financial circumstances. Aided by a Financial Investigator from the London Borough of Hammersmith and Fulham, where Mr [redacted] had claimed council tax benefit, officers uncovered a number of bank accounts, one of which held a bond of £52,000 worth of gold bullion.

The excess capital meant that Mr [redacted] received benefit he was not entitled to between September 2005 and June 2012. He was overpaid housing benefits of £20,024.49, council tax benefit of £5,289.74 and incapacity benefits £24,930.29.

Mr [redacted] pleaded guilty to seven counts of fraud but cited health reasons as mitigation for the offences. He was sentenced to 24 weeks imprisonment suspended for 24 months. He was also ordered to undertake a 24 months Community Supervision Requirement and 100 hour Unpaid Work Requirement concurrent on each count.

Mr [redacted] is due to return to court in November for a confiscation hearing under the Proceeds of Crime Act.

Fraudster given community service

Wednesday August 14, 2013

A Nigerian man who came to Britain and claimed benefits on the basis he was Italian will have to do 150 hours of community service following his conviction for benefit fraud offences amounting to more than £22,000.

[redacted], 48, was claiming benefits on the basis that he was an EU citizen and submitted a copy of his Italian passport to Hammersmith & Fulham (H&F) Council when he initially applied for benefits. But an investigation by H&F Council and the Department of Work and Pensions revealed that [redacted]'s passport had been revoked by the Italian authorities, and that this had been discovered by the UK Border Agency (UKBA) in 2010 when [redacted] applied to register his family in the UK.

During the investigation [redacted] tried to fob off investigators with a photocopy of his Italian passport, but eventually provided the letter UKBA wrote to him in 2010 telling him his Italian passport was not valid. This change in his circumstances should have been declared to the benefit authorities at the time.

When officers searched [redacted]'s home on Du Cane Road, Shepherds Bush, they discovered that he had a valid Nigerian passport.

In total, [redacted] illegally claimed £13,389 in housing and council tax benefit and £8,653 of Income Support. He was found guilty of benefit fraud offences at Isleworth Crown Court on Thursday, July 11 after a three day trial.

On Friday, August 9, at Isleworth Crown Court, he was given a 12 month sentence, suspended for two years and told to do 150 hours of community service. A character witness statement was presented during the trial stating that [redacted] had previously been a nurse with Whittington Hospital NHS Trust until 2010, when he was dismissed for gross misconduct.

Cllr Greg Smith, H&F Council deputy leader said: "Some people are willing to go to any lengths to commit fraud and this man even hid the truth about his immigration status to help himself to the public purse. We simply will not tolerate benefit fraud in this borough and will do everything we can to bring those who commit it to justice."

Two fraudsters brought to justice

Wednesday August 14, 2013

A woman who stole up to £10,000 from her employer has been convicted of benefit fraud offences as well as burglary after she was revealed to have several undeclared bank accounts.

[redacted], of Goldhawk Road, Shepherds Bush was claiming housing benefit and council tax benefit from Hammersmith & Fulham (H&F) Council on the basis that she was unemployed. But [redacted], 27, actually worked at the Ceaser World amusement arcade on King Street Hammersmith and was arrested after it was burgled in July 2010. When police searched her home, they uncovered up to £10,000 in cash. The police carried out a financial investigation under the Proceeds of Crime Act 2002 and uncovered that [redacted] had several bank accounts that had not been declared to the council.

When interviewed by the police, she said that the money in the bank accounts was her own savings. But when interviewed by the council's corporate anti-fraud service, [redacted] said that the money had been given to her by relatives in Africa. She later changed her story again and said that the cash was from a friend who she would not name.

[redacted] received a community punishment sentence for the burglary and was convicted of benefits fraud offences on Monday, August 12 at Isleworth Crown Court. In total, she defrauded the council out of more than £8,000 and the Department of Work and Pensions out of £7,500.

A second fraudster, _____, has been given a 12-month suspended sentence and told to do 150 hours of community work after pleading guilty to benefit fraud offences.

_____, 49, of North End Road, Fulham, told the council that she had only one bank account but a data matching exercise revealed that, in fact, she had six accounts, with savings higher than the allowed amount for benefit entitlement.

In total, she was overpaid almost £24,000 in benefits and was sentenced at Hammersmith Magistrates on Thursday, August 8.

H&F Council Deputy Leader, Cllr Greg Smith, said: "This council takes a zero tolerance stance towards those who think they can cheat the public purse and will continue to clamp down hard on those who commit benefit fraud."

Rude awakening for dying dad swindler

Monday September 23, 2013

A son and a man who he paid to pose in a wheelchair as his dying dad have both pleaded guilty to benefit fraud offences.

Conniving _____, 54, paid sidekick _____ £80 a time to pretend that he was bedbound and under the influence of heavy medication in a desperate bid to evade detection from Hammersmith & Fulham (H&F) Council's fraud team. _____ swindled more than £20,000 of taxpayers' money before the plot unravelled.

_____ of Gliddon Road, Hammersmith, 62, appeared at Hendon Magistrates on Friday, September 13 and pleaded guilty to aiding and abetting a crime. _____, of Dairy Close, Fulham pleaded guilty to four charges of fraud at Hendon Magistrates Court on Monday, August 19. Both men will be sentenced at Harrow Crown Court at a later date.

_____ was granted power of attorney for his unwell father _____ in April 2008 and was on housing benefit and council tax benefit. He was also given a social tenancy in his father's name with the London and Quadrant (L&Q) housing association.

But suspicions were raised when neighbours reported that they had not seen _____ for a long time and understood that he was living in Italy.

When fraud officers from the council visited the home to check that [redacted] was living there in 2012, they were greeted by [redacted] and a sleeping man in a wheelchair who was introduced as [redacted].


[redacted] said that that he could not wake his dad as he had taken strong medication due to a recent operation to remove a brain tumour. But fraud officers did not believe the story and viewed L&Q's CCTV footage which clearly showed the man posing as [redacted] walking to his car unaided after the visit. Further undercover surveillance was carried out by the Department of Work and Pensions and a further residency check was scheduled in February 2013.

This time fraud officers watched [redacted] arrive by car with an older man and walk into the property. Once inside the home, [redacted] showed officers a bed-bound man who he claimed was his father. Again, [redacted] said his father was unable to speak as he was heavily medicated.

The Police were called and both men were arrested on the spot. The older man was identified as [redacted], and [redacted] admitted to paying him to pretend to be his father on numerous occasions as his father left the UK in March 2012. [redacted] has since died in Brazil.

H&F Council deputy leader, Cllr Greg Smith said: "Paying someone to pose as your dying father to cheat taxpayers is about as low as it gets. This duo did not sleepwalk into committing this crime but they have now been given a rude awakening. If [redacted] knew the lengths his son went to in order to scrounge benefits he would probably be turning in his grave."

In total, [redacted] defrauded the council out of £5,988 of housing benefit and £990 of council tax benefit.

	London Borough of Hammersmith & Fulham (AUDIT, PENSIONS AND STANDARDS COMMITTEE) (5 December 2013)
Annual Governance Statement Action Plan, Outstanding Recommendations for External Audit and Fraud response Plan	
Open Report	
For Information	
Key Decision: No	
Wards Affected: None	
Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance	
Report Author: Geoff Drake – Chief Internal Auditor	Contact Details: Tel: 020 753 2529 E-mail: geoff.drake@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report summarises:
- Progress on implementing recommendations arising from the Audit Commission 2012/13 Annual Governance Report
 - The action plans relating to the control weaknesses identified in the 2012/13 Annual Governance Statement and progress in implementing these action plans.
 - Progress on implementing the recommendations in the Fraud Response Plan

2. RECOMMENDATIONS

- 2.1. To note the contents of this report.

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. INTRODUCTION AND BACKGROUND

- 4.1. In September 2013 the Council's External Auditors (KPMG) issued their 'Report to those charged with governance (ISA 260) 2012/13'. The report contained 2 recommendations for implementation by management.
- 4.2. The Council's 2012/13 Annual Governance Statement (AGS) also contained issues that required action by management. Action plans are a necessary result of the AGS and should provide sufficient evidence that the individual significant control weaknesses taken from the AGS will be resolved as soon as possible, preferably in-year before the next statement is due.
- 4.3. Failure to act effectively on the significant control issues would increase the exposure of the council to risk. As these issues are considered to be significant, the action plans and the progress made in implementation will be periodically reported to the Audit, Pensions and Standards Committee to agree and then to monitor progress.
- 4.4. The Fraud Response Plan was largely cleared at the last APSC meeting, there were 4 recommendations outstanding to report on progress to this meeting.

5. PROPOSAL AND ISSUES

5.1. Update on External Audit recommendations

- 5.1.1. The table attached as Appendix A shows the progress reported by the responsible managers in implementing recommendations from the KPMG 'Report to those charged with governance (ISA 260) 2012/13'. Updates on 2 recommendations have been sought for this report. One has been reported as implemented and one is in progress. Unless otherwise stated, Internal Audit has not verified the information provided and can therefore not give any independent assurance in respect of the reported position.

5.2. Annual Governance Statement Action Plan

- 5.2.1. Attached as Appendix B are the action plans relating to the significant control weaknesses identified in the 2012/13 Annual Governance Statement.
- 5.2.2. The action plans and the progress made in implementation for all three AGS entries (Contract Management, Business Continuity Supply Chain Resilience and Health and Safety) have been provided by the identified responsible officers. Unless otherwise stated, Internal Audit has not verified the information provided and can therefore not give any independent assurance in respect of the reported position. We will continue to report progress until these are implemented.

5.3. Fraud Response Plan

5.3.1. Attached as Appendix C is the progress report on the implementation of the remaining recommendations.

5.3.2. One of the recommendations relating to blue sky thinking is now considered cleared. The remaining recommendations remain extant as they cannot be cleared yet. Unless otherwise stated, Internal Audit has not verified the current position reported by officers and can therefore not give any independent assurance in respect of the reported position.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. Not applicable

7. CONSULTATION

7.1. Not applicable

8. EQUALITY IMPLICATIONS

8.1. Not applicable

9. LEGAL IMPLICATIONS

9.1. Not applicable

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Not applicable

11. RISK MANAGEMENT

11.1. Not applicable

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable

**LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	External Audit report recommendations progress update	Internal Audit Manager Ext. 2505	Finance, Internal Audit Town Hall King Street Hammersmith W6 9JU
2.	2012/13 Annual Governance Statement	Internal Audit Manager Ext. 2505	Finance, Internal Audit Town Hall King Street Hammersmith W6 9JU

LIST OF APPENDICES:

Appendix A	External Audit Recommendations
Appendix B	2012/13 Annual Governance Statement Action Plan
Appendix C	Fraud Response Plan Recommendations

External Audit Recommendation updates

Report	Recommendation/Areas of Improvement	Initial response and timescale	Responsible Officer	Update to Audit, Pensions and Standards Committee
<i>Report to those charged with governance (ISA 260) 2012/13</i>				
	<p>R1 - Non-Current Asset Management The Authority should consider implementing an asset management system with the required functionality to improve efficiency of officers throughout the year and increase accuracy in the financial reporting process reducing the risk of error.</p>	<p>We accept the recommendation. The spread sheets have generally served the Authority well but as part of the transition to Managed Services an asset management system will be introduced. This is due to go live in April 2014 and it will form the basis of closing the accounts in 2014/15. In the meantime (year of account 2013/14) the Council will continue to use spread sheets which will be refined and improved where possible.</p>	<p>Bi-Borough Director of Finance</p>	<p>As per the original response, this recommendation is being addressed via the Managed Services project. The specification for the Fixed Asset register has now been agreed with the provider. Integrated Systems Testing (IST) will commence on 11th November 2013 with User Acceptance Testing to follow in January.</p>
	<p>R2 - Investments There is an opportunity to remove the additional layer of approval, to make the process more efficient and reducing the time officers spend processing each investment. A preparer and reviewer is sufficient to segregate duties and mitigate the risk of error and fraud.</p>	<p>We accept the recommendation. We will seek to make the authorisation process more efficient while continuing to ensure a sound control environment observes necessary segregation of duties.</p>	<p>Director of Corporate Finance & Investment</p>	<p>This was put in place from 1 October 2013</p>

2012/13 Annual Governance Statement Action Plan

Entry	Responsible Officer	Action Plan	Progress To date
<p>Business Continuity Supply Chain Resilience</p> <p>Following an increase in the number of outsourced services and the continuing broad economic uncertainty it has been identified that the council is exposed to an increased supply chain risk. Following a recent collapse of a significant subcontractor an internal audit of Supply Chain Resilience has been approved to establish the effectiveness of the system of internal control.</p> <p>Whilst the council remains resilient to its main contractors it remains at risk of service interruption in responding to the failure of a critical subcontractor and business continuity plans do not always allow for this risk.</p> <p>Any proportionate systems or process improvements identified following on completion of the audit will be adopted to improve the control environment in this area.</p>	<p>Deputy Head of Emergency Services</p>	<p>Service Continuity plan development workshops have been held to ensure that P1 and P2 service leads have compliant Business Continuity plans. Within the workshops, emphasise was placed on the importance of ensuring their key suppliers were resilient.</p> <p>Develop reporting dashboard to report compliance for continuity plans as a KPI, this includes scoring element on supply chain resilience within service. KPI to be reported to Service Resilience Group and EMT.</p> <p>Where P1 and P2 services have Tier 2 suppliers to HFBP (Tier 1), that regular credit checking is undertaken on the suppliers by HFBP.</p> <p>That monthly credit rating checks are carried out on the most important suppliers, based on spend and service criticality.</p> <p>That all outsourced single Managed Services have a Strategy for the loss of the supplier, and that this is both workable and robust.</p> <p>Run contract management workshops for all P1 and P2 service contract managers. These <i>specific</i> workshops will focus on understanding how Resilience should be implemented in supplier operations, plus ensure that the resilience capability is tested on at least an annual basis, ensuring that evidence of their capabilities is captured, and that shortfalls have controls.</p>	<p>6 workshops completed.</p> <p>Dashboard developed and first round of KPI reporting undertaken and reported to Service Resilience Group. KPI reporting to EMT scheduled for January 2014.</p> <p>Now undertaken by HFBP on a monthly basis and forwarded to the Business Continuity Manager.</p> <p>Checks are undertaken for top 200 spend contracts, checks for high risk contracts under development.</p> <p>Pending</p> <p>Pending</p>

Entry	Responsible Officer	Action Plan	Progress To date
		<p>That contract Business Continuity clauses are commensurate to the service being provided, and where additional guidance is sought, Legal Teams direct the procuring officer / contract manager to the Business Continuity Manager for advice.</p> <p>That thresholds for key performance indicators in contracts are monitored on a regular basis.</p> <p>Ensure that the impending Capital eSourcing (BRAVO) platform has a Business Continuity workflow process. This directs procuring officers and contract managers to ensure the resilience of the intended supplier is commensurate to the service being provided.</p> <p>Assess weaknesses and vulnerabilities within council supplied services and develop action plan to address specific areas of concern.</p> <p>Formalise and codify actions above into a Supplier Resilience Strategy.</p>	<p>Legal have begun to send contracts to the BC Manger for advice, this has not previously occurred.</p> <p>Being developed by the BRAVO team.</p> <p>Supplied to the BRAVO team for testing.</p> <p>Internal Audit undertaken with results about to be formalised. Initial feedback suggests discreet areas of supply chain can be identified to enable targeted remedial action for high risk areas.</p> <p>Strategy developed and agreed on a Bi-Borough basis (RBKC & LBHF) at Procurement board. Process underway to turn in to tri borough strategy prior to corporate sign off. E-procurement system as catalyst for tri borough approach.</p>

Entry	Responsible Officer	Action Plan	Progress To date
<p>Contract Management Chief Officers are responsible for all contracts tendered and let by their Department. They accountable to the Cabinet for the performance in relation to contract letting and management, which are to ensure compliance with English and EU legislation and Council Policy; to ensure value for money in all procurement matters.</p> <p>The council is required under its contract standing orders to record its contracts through a register as a basis for the planning, preparation and oversight of contracts. Furthermore it is required to keep proper records of all contracts awarded (using the London Councils Contracts Database where these have a total value of £50,000 and over); It is apparent that the register is incomplete. A review of contract management is being undertaken by Internal Audit. Any evidence of non-compliance with contract standing orders and Financial Regulations may result in recommendations to improve the system of internal control.</p>	<p>Head of Procurement</p>	<ol style="list-style-type: none"> 1. Update reports are being provided to Bi borough Procurement Board to raise awareness of the issue and ensure departments update the contract register accordingly. 2. The internal audit report recommendations when received will be submitted to Bi borough Procurement Board – currently planned for December 2013 - and implemented as required. 3. As part of the Tri-borough Managed Services Programme, the three Councils have commissioned an eSourcing solution from Bravo Solutions called “capitalEsourcing” which comprises a range of modules including spend analysis, etendering, contract and vendor management. Work is underway to implement this with effect from January 2014. This will include putting together a new Contracts Register in the system which will interface with the etendering module. This will significantly improve contract record keeping. There is no such interface in the current systems. The programme of work is as follows: <ul style="list-style-type: none"> • Nov 13 - Commence data gathering exercise to draw up a list of contracts by authority with supporting metadata (e.g. expiry, value, supplier contacts details etc.) • Dec 13 - Collate, validate, and rationalise data to a standard format • Jan 14 – Upload data to the capitalEsourcing system • Feb 14 – Continue updating register in “new” format 	<p>Report submitted to Bi borough Procurement Board on 19 Sept outlining current contracts on the register and highlighting the need to update especially when transferred to the new TB capitalEsourcing system.</p> <p>Data gathering has commenced.</p>


Entry	Responsible Officer	Action Plan	Progress To date
<p>Health and Safety</p> <p>There has been substantial progress in delivering a reasonable Health & Safety environment throughout 2012/13 following a prosecution by the Health and Safety Executive. This has included enhanced training, support, resource and guidance. A map of Health and Safety risks has been compiled and is reviewed quarterly. Safety Committees exist for TriBorough departments.</p> <p>There is some evidence that health & safety contractors property risk assessment plans are not being effectively monitored resulting in breaches of statutory Health & Safety legislation. One notifiable incident has been made to the Health and Safety Executive in this regard.</p> <p>While proposals, including an appointed person in post for the management of Asbestos, to improve the controls, have been agreed and will be monitored by Hammersmith and Fulham Business Board, these arrangements are not fully established at this time. Action Plans have been modified to improve the system of internal control in this area.</p>	<p>Bi-Borough Director of Environmental Health</p>	<p>The management of facilities has transferred to Amey as of October 1st 2013. The Link (Client function) hosted by RBKC is responsible for the performance management of the Amey contract.</p> <p>Key Performance Indicators have been put forward by corporate safety (agreed between all three councils) which includes a target for monitoring contractors delivering the Amey contract. Relevant KPIs were not included in the original contract for health and safety. A service level agreement between the Link and Corporate Safety teams (3 boroughs) has been put forward.</p> <p>The corporate safety business plan sets out key audits over the next two years which includes the monitoring of contractors: gas safety, fire safety, lift safety management and asbestos management</p> <p>Appointed asbestos manager in post.</p>	<p>Awaiting for the Link (Director HR Strategy & Business Centre) to agree SLA and associated KPIs</p> <p>Gas safety audit completed and circulated with recommendations.</p> <p>Fire safety audit in draft.</p> <p>Lift audit completed and circulated with recommendations for action.</p> <p>Asbestos management audit – scope in place</p> <p>All corporate buildings now have an asbestos management plan. Currently working on schools' portfolio for Children Services to ensure survey and asbestos management plans are in place.</p>

Fraud Response Plan Recommendations

APSC requirement	Action Plan	Responsible Officer	Progress to August 2013	Progress to November 2013
<p>1. Look at the potential to share intelligence with others, particularly Govt Depts (HMRC), to consider the potential for prosecution of businesses: 'The Exec Dir of Finance & corp Gov cross checks the list of property owners benefiting from the granting of retrospective NNDR relief with records of operators of premises who have had licenses revoked and/or have been subject to enforcement action by HMRC, as a means of focussing any further investigations'.</p>	<p>We have contacted HMRC and the units within LBHF who dealt with them and collected some information from them. However further evidence has been identified within the investigation which may offer a more effective solution to the potential for prosecution of some businesses. This is currently being looked into. Further details cannot be provided at this time due to the confidentiality of prosecution cases.</p>	<p>Kirsten Quinn</p>	<p>We will trial a data exchange on large scale local frauds but for the local rate payer prosecutions we are using a more effective risk based approach to identify the most appropriate cases. Once the criminal action is complete a more detailed update will be provided.</p>	<p>We will trial a data exchange on large scale local frauds but for the local rate payer prosecutions we are using a more effective risk based approach to identify the most appropriate cases. Once the criminal action is complete a more detailed update will be provided.</p>
<p>7. Develop proposals for 'blue sky thinking' on risk and control for audit and risk involving other officers.</p>	<p>Under development.</p>	<p>Geoff Drake</p>	<p>An initial review has identified where existing appropriate Officers and groups can contribute to the process. The contacts have been established in IT. Information Management, BiBorough Procurement, Policy and Strategy. A model is under development for a periodic exercise which may within the remit of a new Strategic Tri-borough risk management group.</p>	<p>An existing group (the Tri-Borough Information Management project Board) has been identified through which this might be delivered. Blue sky thinking in relation to information governance and technology management. A second stream, the newly established Tri-borough Corporate Risk Management Group will also have the responsibility to undertake this exercise. The two of these will provide the overall scope looked for. This is now considered complete.</p>

No.	Recommendation	Responsible Officer	Proposed action	target date	Progress to September 2013	Progress to November 2013
KPMG Rec R8	As part of the Council's assessment against the new Public Sector Internal Audit Standards and ensure that: <ul style="list-style-type: none"> ▪ The annual audit plan is presented to the Audit Committee in the context of a wider strategic plan, together with a supporting risk assessment. 	Geoff Drake	While the risk assessment is already provided in the form of the risk registers which are reported to every Committee meeting, additional information will be provided to the committee to support the audit plans and put them into context	31 March 2014	This will be undertaken for the 2013/14 audit plans due to APSC in February 2014	This will be undertaken for the 2013/14 audit plans due to APSC in February 2014
KPMG Rec R14	Disseminate the lessons learnt from this review widely.	Geoff Drake	Once the criminal proceedings are completed, this will be shared with HFBB and the Finance Strategy Board to act on as appropriate.	31 March 2014, but dependent on court cases	It is not possible to action this yet.	It is not possible to action this yet.

Agenda Item 11

	London Borough of Hammersmith & Fulham AUDIT PENSIONS AND STANDARDS COMMITTEE 5th December 2013
Combined Risk Management Highlight report	
Report of the Executive Director of Finance and Corporate Governance	
Open Report	
For Review & Comment	
Key Decision:No	
Wards Affected: None	
Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance	
Report Author: Michael Sloniowski, Bi-borough Risk Manager	Contact Details: Tel: 020 8753 2587 E-mail: michael.sloniowski@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report updates the Committee of the risks, controls, assurances and management action orientated to manage Enterprise Wide risks.

2. RECOMMENDATIONS

- 2.1. The committee consider the current h&f Sovereign Strategic, Change and Operational risks as outlined in the report.
- 2.2. The committee note the Tri-borough and Bi-borough risks such as they may affect h&f as outlined in the report.
- 2.3. The committee approve the Bi-borough Enterprise Wide Risk & Assurance register (**Appendix 1**).
- 2.4. The committee note the proposal to establish a Tri-borough risk management Officer forum to meet quarterly tasked to deliver objectives set out in the Tri-borough risk management strategy.

3. REASONS FOR DECISION

- 3.1. This report updates Members on the risk management issues identified across council services and follows changes in the reporting process to Committee to meet Corporate Governance requirements for Enterprise Risk Management as outlined in the 2012 guidance 'Delivering Good Governance in Local Government'. Effective risk management continues to help the council to achieve its objectives by 'getting things right first time' and is a key indicator of the 'Corporate Health' of the council.

4. INTRODUCTION AND BACKGROUND

- 4.1. Local government has been undergoing significant change and the environment in which it works is increasing in complexity. In addition to the continuing economic and financial challenge, the Localism Act and other key legislation has brought new roles, opportunities and greater flexibility for authorities.
- 4.2. Local authorities are changing the way in which they operate and undertake service provision. Public services are delivered directly, through partnerships, collaboration and through commissioning. Shared services and partnership boards have come into existence. The introduction of new structures and ways of working provide challenges for managing risk, ensuring transparency and demonstrating accountability.
- 4.3. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with control and the management of risk.

5. PROPOSAL AND ISSUES

- 5.1. In the Bi-borough work environment, people have to be stretched in their decision making and "doing" role. If there is no allowance for taking managed risks in an appropriate control environment, this stifles the whole process, prevents innovation and breeds poor morale. So a balanced approach to Enterprise Risk Management should allow for risk taking in a managed environment.
- 5.2. **TriBorough Risk Management approach.** Following a period of consultation with Officers of the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea it is proposed that a TriBorough Risk Management forum of Officers is established. The operating model to be adopted follows the successful Royal Borough of Kensington and Chelsea Risk Management Group. This operated with the purpose to encourage services to own, discuss and manage risk on an approach based on the risks in hand.
- 5.3. The responsibilities of the Tri-borough Risk Management Group will include;

- 5.3.1. To share risk management issues across Tri-borough services highlighting those that others may have missed. It would act as a hub where best practice is shared.
- 5.3.2. To agree final reports on risk for the Audit Committees at each Council, involving departments directly in the scrutiny of risks.
- 5.3.3. To assist in responding to issues where risks had been identified but not given sufficient priority or those which require review or closure. It would focus on strategic, portfolio and business as usual risks by department which would include those defined as common risks across the organisations. There would be a process of moderation in terms of those that were reported to Audit Committees.
- 5.3.4. To determine the appropriateness of the Risk Management Policy and methodology and keep this under review.
- 5.3.5. The previous board in existence at the Royal Borough of Kensington and Chelsea met quarterly and each meeting was scheduled for a one hour slot to ensure time was effectively managed.
- 5.3.6. The key success of the Royal Borough group was that each management board had to have an agenda item on their Management Team meeting on at least a quarterly basis which ensured risk management was more embedded.
- 5.3.7. Attendees will be invited to attend to represent Tri-borough, Bi-borough and or Sovereign borough services and Officers whom have some risk management responsibility for Portfolio or Programme Management, Business Continuity, Health & Safety and the Tri-borough Insurance Officer.
- 5.3.8. **Risk Management Lunch and Learn.** A representative of Legal and General has been invited to present a session to Officers on their experience of innovation and opportunity risk management and managing change in a major organisation. The presentation will be an open invitation to Officers across the three boroughs.
- 5.3.9. **Tri-borough methodology.** A single Risk Management methodology has been agreed with the Royal Borough of Kensington and Chelsea and Westminster City Council. This completes the harmonisation of 3 differing approaches to how risks are identified, scored and reported.
- 5.3.10. It was agreed that the London Borough of Hammersmith and Fulham's methodology was the 'best fit' and most practical approach. Westminster City Council are comfortable with its adoption as this gives them greater sensitivity within their risk

assessment scoring. Risks will continue to be rated on a 5x5 matrix resulting in a scale of risk exposure of 1-25. (25 being the highest exposure). Key risks are to be 'rolled-up' and consolidated into the Bi-borough Enterprise Wide Register attached as Appendix 1.

5.3.11. Risk Management Intranet development.

A Bi-borough Risk Management Intranet site on TriBnet is being developed. The purpose of the site will be to bring all elements of Risk Management into one area. The site will include;

- A central hub for all risk registers.
- Practical guidance.
- Access to agenda items and minutes of a Tri-borough Risk Management Group.
- Access to training.
- A shared workspace between the 3 councils.

5.4. The Council has a number of significant change and transformation programmes each managed by a programme board. The majority of programmes relate to the Tri-borough agenda. The individual programme boards produce a risk register identifying significant risks to the delivery of the specific programme.

5.5. Where appropriate, risks identified in the risk registers have been incorporated into the Bi-borough annual audit planning process to enable audit resources to be directed to the most appropriate areas that may affect business assurance.

5.6. ENTERPRISE WIDE RISK AND ASSURANCE REGISTER

5.6.1. The Enterprise Wide Risk and Assurance Register has been updated following the review of Tri-borough, Bi-borough and Departmental submissions and has been reviewed by the Management Boards of Hammersmith and Fulham and The Royal Borough of Kensington and Chelsea Councils. It remains an indicator of 'Corporate Preparedness'. The full version accompanies this paper for Members information at **Appendix 1.**

5.7. H&F - STRATEGIC RISKS PERSPECTIVE

5.7.1. **Unplanned risk exposures.**

5.7.2. Unplanned risk exposures could be considered as those which require Emergency Planning, Business Continuity or Insurance. These areas can be contained through co-ordinated risk management, information sharing, analysis and

reporting. There have been no significant issues to report in these areas in the past quarter. A separate report on the progress of Health and Safety risk management forms is being presented to the Audit, Pensions and Standards Committee for consideration.

5.8. H&F - OPERATIONAL PERSPECTIVE.

Key risks.

5.8.1. Tri-borough Adult Social Care Services.

5.8.2. The Key Risk Profile for Adult Social Care remains unchanged. Departments are responsible for the self-regulation of their departmental risk management arrangements, including identification, measurement and reporting. Adult Social Care is making improvements to its approach to strategic risk management. The service is in the process of establishing improved governance linked tightly into its substantial transformation and efficiency planning processes, as well as business as usual boards.

5.8.3. To develop a greater awareness and ensure good practice in relation to risk management amongst both senior and middle managers, the department is undertaking a number of sessions with the Corporate change management team.

5.8.4. In addition the service is introducing a more dynamic risk register which is updated in real time by nominated risk owners detailing the current assessment of the scale of each risk and detailing current planned mitigations.

5.8.5. The service will be in a position to provide a comprehensive updated strategic risk report on by the end of quarter 3 as the new approach will be fully implemented by that time.

5.8.5.1. **Key risks (High risks only).**

Unplanned cuts to services as a result of further reductions in government grant for social care.

5.8.5.2. Unplanned cuts to services as a result of loss of funding from health.

Mitigating action.

- 1. Out of Hospital Strategies in place; Community budgets, sharing whole systems savings;
- 2. Operational integration with health will deliver staffing savings; review skill mix etc.
- 3. Hold reserves or balances to manage better.
- 4. Develop exit strategies for one off services.
- 5. Develop prioritisation strategy for all services.

5.8.5.3. Impact of proposed changes to long term funding of social care .

Mitigating action.

- 1. Work is being undertaken by the Director of Adult Social Care Finance and Resources to assess the magnitude of this risk.

5.8.5.4. Increasing demand for social care services.

Mitigating action.

- 1. Community budgets – sharing savings from acute sector.
- 2. Develop new model of personalisation to reduce costs.
- 3. Prevention / Info and Advice /signposting – deflect demand, enable individuals.
- 4. Reablement/rehab to reduce residential care admissions.
- 5. Review charging policies.

5.8.5.5. Not effectively establishing ASC 3 B personalisation model.

5.8.5.6. Risks of negative service outcome; lack of consistency across boroughs; reputation; negative impact on capacity and increased financial.

Mitigating action.

- 1. New common model of personalisation needs to be developed and agreed across 3B ASC and inform the next phases of TAS programme.

5.8.5.7. Not developing effective integrated commissioning with Clinical Commissioning Groups.

Mitigating action.

- 1. Out of Hospital Strategies agreed.
- 2. Community budget project, sharing savings.
- 3. ASC linked to Whole Systems workstream across the local health sector.
- 4. ASC involvement in review of contracts/commissioning plans re joint services reporting back to CCG OoH boards.

5.8.5.8. Unable to share information at necessary level with health partners to plan and evaluate.

Mitigating action.

- 1. Update information sharing and information processing agreements.
- 2. Explore shared access/stakeholder with CCGs and CLCH in NWL NHS data warehouse.
- 3. Shared consent process.

5.8.5.9. Death or serious injury of vulnerable residents.

Mitigating action

- 1. Effective safeguarding adults processes in place across tri borough.

5.8.6. Tri-borough Childrens Services risks (Medium risks only).

5.8.6.1. There is a Tri-borough risk that LAC numbers start to rise, increasing demand for placements. Even without a rise in overall numbers, ongoing or even increased demand for high cost placements, particularly for adolescents, will put pressure on placements budget.

Mitigating action.

- 1. The LAC numbers are rising in the rest of the country. Plans need to be put in place to monitor numbers and need.

5.8.6.2. There is a CHS Project risk that there is insufficient contingency time between the valuation of bids and political process to the award of contract. Also a tight time scale after award of contract to mobilise in time for start date.

Mitigating action.

- 1. Contract award processes have been planned.

5.8.6.3. There is a difficulty of using multiple systems for current combined systems for current combined services. If common ICS and processes are not developed, then there will be a risk to delivery for the next wave of combined services – one provider may pose a quality / time issue.

Mitigating action.

- 1. It is clear that a number of projects are dependent on ICS convergence. Work has started on what this might look like. PID has been developed.
- 2. The Project Board which was scheduled to take place on 2nd May was intended to highlight some of the key

dependencies in relation to "family view" being available.

- 5.8.6.4. There is a CHS Portfolio risk of limited financial contingency to meet new unanticipated demands this will led to potential budget overspends.

Mitigating action.

- CHS Finance to monitor closely. Maintain sight of risk on register.

5.8.7. Bi-borough Environment, Leisure and Resident Services risks (Medium and Borough specific risks only).

- 5.8.7.1. There is a medium risk that increasing financial pressures and uncertainty leads to loss of staff, skills and knowledge, increase in workplace stress, high levels of sickness and ultimately affecting service delivery.

Mitigating action.

- 1. Communications with Tier 4 managers have begun; some reviews are still in progress, a few are at the start of implementation phase .
- 2. Workforce Development Working Group and Talent Management Plan in place.

- 5.8.7.2. There is a risk that contamination levels to the recycled waste stream continues to increase. Resulting in a potential financial implications running into hundreds of thousands of pounds. This means that the boroughs would pay twice for disposal, once at the recycling gate fee rate, and a second time at the higher incineration gate fee. Increased residual waste tonnages and falling recycling rates can also impact on disposal costs and recycling.

Mitigating action.

- 1. An action plan is in place and close monitoring of contamination levels is being undertaken.
- 2. April 2013 , Cory has reduced its gate fee for recycled waste. Research has been undertaken and service managers have developed action plans and communications appropriate for each borough in light of the research findings.

- 5.8.7.3. There is a H&F specific medium risk that the Trade Waste Income target will not be achieved - The shortfall in the invoiced amount, has created a gap of over £200k from the income target.

Mitigating action.

- 1. The new process that will be implemented, as part of the sales plan should have the following impact: Increased sales, robust debt recovery, focused sales activity and monitoring. The income will be monitored on a monthly basis.

- 5.8.7.4. There is a H&F specific medium risk that a 6% increase in Cemeteries income target is not met.

Mitigating action.

- 1. The department is working with QSL to mitigate the risk

- 5.8.7.5. There is a H&F specific medium risk that if Fulham Palace Trust are given additional funding including the transfer of emergency £250,000 fund as a loan for their reserves, they may not be able to balance their budget and come back to the council for more funds.

Mitigating action.

- 1. Regular meetings.
- 2. Financial monitoring of Fulham Palace Trust and attendance at their finance board meetings. Quarterly monitoring with the Chief Executive.

5.8.8. Tri-borough Libraries risks (Medium and low risks only).

- 5.8.8.1. There is a medium risk of failure to realise Archives savings and inability to re-provide a service as part of tri-borough.

Mitigating action.

- 1. Regular meetings.
- 2. Monthly meetings with tri-borough and regular meetings with stakeholder groups.

- 5.8.8.2. There is a low risk that the number of Library issues continue to decline.

Mitigating action.

- 1. Regular meetings.
- 2. Close monitoring of issue figures and analysis by customer and item type.

**5.8.9. Bi-borough Transport and Technical Services risks
(Medium risks only).**

- 5.8.9.1. Tri/Bi-borough working - Pace and scale of change may adversely affect service delivery.

Mitigating action.

- 1. Regular communications.
- 2. Nigel Pallace Divisional briefings (floorwalks).
- 3. Ongoing programme of engagement.

- 5.8.9.2. Tri-Borough working arrangements.

Mitigating action.

- 1. Tri Borough Programme Boards.
- 2. Environment Family Programme Board.
- 3. TTS Programme Board.
- 4. Staff Forums held and service reviews underway. HR input and Union dialogue integrated into review process.

- 5.8.9.3. Adverse consequences of recession/downturn in economic environment.

Mitigating action.

- 1. BC Workload planning.
- 2. Planning Workload planning.
- 3. Corporate revenue monitoring.
- 4. Staffing to match workload.
- 5. Review of debt.

- 5.8.9.4. Adverse budget variances.

Mitigating action.

- 1. Regular finance & trading accounts monitoring.
- 2. Work with policy and planning to bring in funds .
- 3. Financial reporting by Quantity Surveyors, BTS, QA system, use of contingencies. Training plan for staff.
- 4. New criteria introduced to prevent blue badge fraud.
- 5. Review budget staffing level.
- 6. MTFS planning process.
- 7. Parking Control Board.
- 8. Recovery plan in place.
- 9. Recruitment approval restricted.
- 10. Review adverse variances and report action plan to DMT.

- 5.8.9.5. Health and Safety breaches affecting staff and others.

Mitigating action.

- 1. Safety audit.
- 2. Contractors managed.
- 3. CDM.
- 4. QA.
- 5. Learning and Development Plans.
- 6. Monitoring.
- 7. Maintenance and inspection schemes underpin the engineering response to risk
- 8. Ongoing training programme.
- 9. Established H&S Committee.
- 10. Departmental Policy.
- 11. Divisional PR.
- 12. Statutory responsibilities audit.
- 13. Guidance issued with respect to cross borough working and duty of care for both sets of employees.
- 14. Corporate Health & Safety currently under review in the bi-borough programme and protocol signed.

5.8.10. Risk indicators are an important tool within operational risk management, facilitating the monitoring and control of risk. In so doing they may be used to support a range of operational risk management activities and processes, including: risk identification; risk and control assessments; and the implementation of effective risk appetite, risk management and governance frameworks.

Health and Safety.

5.8.11. HFBB review a quarterly health and safety performance report for the organisation produced by the Corporate Safety Team. It includes recommendations for improvements, identified weaknesses, Corporate Safety activity and building performance information.

Information Management.

5.8.12. Information security incidents are recorded by the Information Management team and are reviewed periodically by the cross departmental Information Technology Security Operations Group (ITSOG). A security incident is an event that has an actual or potential adverse effect on the computer, network or user resources, compromises data or where there has been damage or loss of equipment.

Procurement.

5.8.13. The Bi Borough Procurement Board is apprised of key risks and issues as part of the new reporting format to the Board. Cabinet

reports include a provision for comment on risk management.
Key risks identified include;

- Not all procurement projects maintain risk logs.
- Separate Governance decision making processes.
- Separate Contract Standing Orders, although an exercise to harmonise them where appropriate is underway.
- Differing approaches to procurement exist in that a category management approach is the preferred WCC method.
- Optimum timing of contracts extensions to co-ordinate three borough procurement exercises.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. *Not applicable as the report is a representation of the business risks and opportunities to H&F council.*

7. CONSULTATION

7.1. *Not applicable as the report addresses the business risks to H&F council.*

8. EQUALITY IMPLICATIONS

8.1. *The responsibility to complete Equality Impact Assessment in relation to policy decisions is the responsibility of the appropriate departmental officer. The report highlights some of the risks and consequences of risk taking over a broad landscape and as such specific Equality and Diversity issues are referred to in the councils Enterprise Wide Risk and Assurance Register.*

9. LEGAL IMPLICATIONS

9.1. *Failure to manage risk effectively may give risk to increased exposure to litigation, claims and complaints. As such the report contributes to the effective Corporate Governance of the council.*

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. *Exposure to unplanned risk could be detrimental to the ongoing financial and reputational standing of the Council. Failure to innovate and take positive risks may result in loss of opportunity and reduced Value for Money. There are no direct financial implications with the report content.*

11. RISK MANAGEMENT

11.1. *It is the responsibility of management to mitigate risk to an acceptable level. Appropriate and proportionate mitigating actions to known risks are expressed in the Enterprise Wide Risk and Assurance Register and*

subject to review as part of planned Audit work and the Annual Governance Statement.

- 11.2. Implications verified/completed by: Michael Sloniowski, Principal Consultant Risk Management. 020 8753 2587

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 12.1. *Failure to address risk in procurement may lead to a reduction in the expected benefits (Value for Money, Efficiency, Resilience, Quality of Service) and leave the council exposed to potential fraud and collusion as identified in the Bribery Act.*

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**


No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Association of Local Authority Risk Managers & Institute of Risk Management, 2002, A Risk Management Standard	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
2.	The Orange Book, Management of Risk Principles & Concepts – HM Treasury	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
3.	Departmental Risk Registers, Tri borough Portfolio risk logs	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
4.	Tri-borough Programme report updates	Michael Sloniowski 2587	TriBnet
5.	BS 31100 Code of Practice for risk management	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith

[Note: Please list only those that are not already in the public domain, i.e. you do not need to include Government publications, previous public reports etc.] Do not list exempt documents. Background Papers must be retained for public inspection for four years after the date of the meeting.


LIST OF APPENDICES:

Appendix 1
Enterprise Wide Risk and Assurance register

			<ul style="list-style-type: none"> • Grant application is incorrectly calculated • Unplanned growth • Accruals & reconciliations • Planned savings not implemented • Insufficient budgetary provision and/or budgetary under/overspend * • Incomplete/inaccurate accounting records • Overestimation of potential revenue streams 		<p>effectiveness of the financial management arrangements</p> <ul style="list-style-type: none"> • Partnership activity now includes a VAT trace and has been raised at FSB • Grant Claims & returns record is tracked at FSB • Monthly corporate revenue & capital monitoring to cabinet • Reports to the Leader identify where spend levels exceed a tolerable level during the year • Credit check of contractors is being undertaken through the Bi-borough Procurement Strategy Board (RBKC & H&F) • Disposal of Assets • Sponsorship and advertising opportunities risk & reward exercise 	<p>Audit Pensions and Standards Committee, External Audit, Financial Strategy Board</p> <p>Overview and Scrutiny Board</p>						
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No.	Business risk Perspective (Strategic, Change or Operational)	Tri-borough Bi-borough or Sovereign risk	Risk	Consequence	First line of defence (Management Controls)	Second line of defence (Independent Assurance)	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer or Group	Review
2.	Strategic	Bi-borough	Managing the Business Objectives (publics needs and expectations)	<ul style="list-style-type: none"> The Public or section of the public may not receive the service that they need or to the quality they expect Reputation of the service may be affected Services are delivered in an unplanned way Services start to do their own thing - Maverick decisions Inconsistencies in service delivery start to emerge Lack of transparency Duplication of effort Communication of objectives and values is lost Target and Objective setting is diminished reducing the effectiveness of the performance management regime for officers 	<ul style="list-style-type: none"> Tri-borough Business Plans have been issued for 2013 Implementation of Lean Thinking principles putting the voice of the customer at the heart of service design Performance monitoring and feedback through local media Customer experience and satisfaction surveys 	Cabinet Members Scrutiny Cttee review performance Ofsted Care Quality Commission	3	3	9	Low 	All Executive Directors	Review November 2013


					<ul style="list-style-type: none">• Consultation with other boroughs• Project managing the process• Separation or joining of projects to maximise benefit potential• Realistic timetables agreed and reviewed at Bi-borough Procurement Board (RBKC & H&F)• Market Testing progress report to HFBB• Programme & Project Management – Risk Logs being maintained, periodic risk reviews• Revenue estimated from the contract to be included as a risk in the MTFS							
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4.	Change.	Tri-borough.	Managing Portfolios Programmes, and Projects.	<ul style="list-style-type: none"> The change environment became ever more complex with single, bi and tri-borough programmes of work requiring management alongside business as usual; Senior Managers of combined teams became responsible for managing risks over a wider geography; New risks emerged both as a result of and as a by-product to Tri-borough working; Changing type or level of risk resulting from external pressures such as devolved responsibilities from Central Government and new legal requirements; Governance has become ever more complex i.e. understanding who is responsible for 	<ul style="list-style-type: none"> Common reporting tools for key Tri-borough programmes- this included highlight reports identifying identification and documentation of key risks and issues. A Portfolio Delivery Group consisting of a cross section of Directors and designated Tri-borough lead specialists. This group was tasked with ensuring the successful set up of shared working arrangements and played a key problem solving role-managing and mitigating key risks experienced by both programmes and corporate support functions. 	<p>A fortnightly Chief Execs' Portfolio Management Board to oversee and manage portfolio delivery including managing key strategic risks and resolving operational risks where escalated.</p> <p>A Tri-borough Leaders' Board to oversee the delivery and development and to manage Political opportunities and risks.</p>	3	3	9	Low 	<p>Jane West, Executive Director of Finance and Corporate Governance (The London Borough of Hammersmith and Fulham).</p> <p>Nicholas Holgate, Interim Bi-Borough Chief Executive</p> <p>Martin Nottage (Tri Borough Innovation and Change Management Division).</p>	Review November 2013.

			<ul style="list-style-type: none"> • Successful delivery of the Tri-borough Managed Services Programme. 	<p>managing some risks has been challenging.</p>	<ul style="list-style-type: none"> • Chief Executives Briefing to Managers. • Subject Matter Experts, Ambassadors appointed • 4 Workstreams agreed (Change Management/ Enablement - Testing/ User Acceptance Testing -Service Design and Service Delivery - ICT Readiness/ Interfaces/ Data Migration) • Managed Services Programme Director and Management Resources in place • Managed Services Roadmap published • Detailed Tri-b requirements for the Agresso system and BT service agreed by July 2013 • Build Agresso system to the Tri-b specification by September 2013 • Complete system build and recruit and train the staff ready to provide the service by January 2014 • Sort snags and post-go-live appraisal of service and levels and quality by April 2014 	<p>Joint Management Team (RBKC and H&F)</p> <p>Strategic Executive Board (WCC)</p> <p>The Royal Borough of Kensington & Chelsea Internal Audit</p> <p>WCC RSM Tenon Internal Audit</p> <p>Bi Borough Procurement Board</p> <p>Transformation Board</p> <p>Audit and Transparency Committee (RBKC)</p> <p>Audit Pensions and Standards Committee (H&F)</p>						
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			<p>Sub-risks</p> <ul style="list-style-type: none"> • Projects do not consider enough time to mobilise in the event services are awarded to the private sector • Project implementation is delayed due to protracted discussions regarding pensions transfers • The risk of challenge to contract awards may increase during the harsher economic climate • Large scale high risk high return projects are not led by a qualified or experienced project manager. • Too many projects are undertaken with unrealistic or unachievable targets 		<ul style="list-style-type: none"> • The Innovation and Managing Change Team brings together portfolio and programme management skills from H&F and RBKC. • Portfolio ,Programme and Project management is supported by a recommended decision-making and governance process. • Projects and programmes are managed through the context of the Transformational portfolios. • Further training and capability is being advanced with RBKC and WCC. • Standard documentation is to be provided to support Portfolio, Programme and Project Management. • Monthly reporting to Transformation Board (dashboard) • Bi-borough Procurement Strategy Board (RBKC & H&F) monitor aspects of project management compliance • Procedures for TUPE transfer have been included in project management instructions 							
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5.	Change	Sovereign	Public Health Service and NHS Provision Sub-risks <ul style="list-style-type: none"> impacts of proposals to change the hospital arrangements in North West London The transfer of the Public Health Service from the NHS to local government may not go well 	<p>The Council is remaining active in debate with NHS decision-makers to ensure the best possible deal for residents. The Council could face unexpected spending pressures from new responsibilities</p>	<ul style="list-style-type: none"> The new Director of Public Health will attend Housing, Health and Adult Social Care Select Committee Dedicated officers implementing the setting up of a Health & Well Being Board The Council has no obligation to cross subsidise Public Health Tri-borough Public Health service should be hosted at Westminster as agreed by the Leaders of the three councils 	HFBB Education & Childrens Services Select Committee Cabinet	4	3	12	Medium 	Nicholas Holgate, Interim Bi-Borough Chief Executive Director of Public Health	Review November 2013

No.	Business risk Perspective (Strategic, Change or Operational)	Tri-borough Bi-borough or Sovereign risk	Risk	Consequence	First line of defence (Management Controls)	Second line of defence (Independent Assurance)	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer or Group	Review
6.	Operational	Sovereign	Business Resilience Sub-risks	If an event occurs <ul style="list-style-type: none"> • Customers face delays in service provision. • Non-compliance with statutory duties – indirectly. • Threat to life – indirectly. • Time to recover power and IT Services could be between 6 & 8 weeks. • Loss of information. • Loss of productivity. • Increased cost of resurrecting services (only partially insurable). • Wasted resources & staff duplication in recovery phase. • Cost of additional data storage capacity. 	<ul style="list-style-type: none"> • The Councils generic Contingency Management Plan and Business Continuity Plans are designed to be 'scaleable' in response to any size of incident, and linkages with the and neighbouring local authorities ensure that central government and local government mutual aid assistance will be forthcoming in the event of a large-scale attack. • Corporate Incident Management Procedures incorporate Business Continuity • Training has been delivered to local service plan leaders • A corporate service resilience group has been formed and meet periodically • Directors of Resources have been appointed as Departmental contact leads • Local Service Plans 	HFBB The Royal Borough of Kensington & Chelsea Internal Audit The London Borough of Hammersmith & Fulham Audit Pensions and Standards Committee The Royal Borough of Kensington and Chelsea Audit and Transparency Committee Service Resilience Groups for both Councils ELRS DMT London Regional Resilience Forum	4	3	12	Medium 	Lyn Carpenter (Corporate Business Continuity) Bi Borough Director for Environment, Leisure and Resident Services with the Royal Borough of Kensington and Chelsea. Jane West, Executive Director of Finance and Corporate Governance (The London Borough of Hammersmith and Fulham) for HFBB. Nicholas Holgate, Interim Bi-Borough Chief Executive Jackie Hudson Tri Borough Information and Communications Technology Lead Advisor	Review November 2013


			<p>IT resilience (RBKC)</p>		<p>have been compiled, reviewed and refreshed and quality checked by Emergency Services</p> <ul style="list-style-type: none"> • TriBorough IT Programme • The Corporate Firewall restricts and regulates network connections and communications on the perimeter of the RBKC private network with the public internet. • Request For Change process in use by Hammersmith and Fulham is being adopted under the Tri-Borough shared services initiative. • Business Continuity Recovery Group allocates resources between business groups for recovery 						<p>Barry Holloway Head of RBKC ISD.</p> <p>Tony Redpath Director of Strategy and Local Services (The Royal Borough of Kensington and Chelsea)</p>	
			<p>IT resilience (H&F)</p> <ul style="list-style-type: none"> • Proposed move of the H&F IT from the East London site. • Systems not joined up and connected in the event of a H&F, Royal Borough or Tri-Bi Borough event. • Lack of top tier response plans. • Electronic information storage capacity. • Mobile Communications technology provider service failure. • Information Governance during the development of major programmes (Managed Services, FM 	<ul style="list-style-type: none"> • Delays/ interruption to the service as a replacement is found. • Cost and time of re-procuring the service. • Protection of contributions to the H&F Pension fund as more outsourcing is undertaken. 	<ul style="list-style-type: none"> • H & F Bridge Partnership have submitted a Local Service Recovery, a major incident process has been established by HFBP as part of Data recovery is insured under the councils corporate insurance package (but limited) • The Service Desk Manual • A threat assessment has been compiled • Some ITC service 							

			<p>).</p> <ul style="list-style-type: none"> • H&F Openscape as a form of remote communications and working. 		<p>has been moved to East London</p> <ul style="list-style-type: none"> • The Business Continuity (BC) project now involves provision of IT BC for approximately 30 First Order applications as identified by H&F. The data is replicated from the primary data centre at East London to the secondary site at HTH. Additionally, there is local network switch resilience within HTH; resilience for the infrastructure elements such as profiles, home folders and printing; plus annual tests of parts of the BC solution. 									
			<p>Contractor Liquidity</p>	<ul style="list-style-type: none"> • Service interruption. • Property loss or damage. • Injury or harm. 	<ul style="list-style-type: none"> • Creditsafe Financial checks. • Corporate Finance credit checking. • Contractor Business Continuity Planning. • Pension fund performance bond (H&F). 	<p>Bi Borough Procurement Board</p>								
			<p>Terrorist attack/Civil disturbance</p>		<ul style="list-style-type: none"> • Terrorism insurance cover. • Tri Borough councils are working together to prevent terrorism offering free interactive workshops to raise awareness of the Prevent Strategy. 	<p>Cabinet Office COBRA</p>								

					<ul style="list-style-type: none">• Prevent aims to stop people from becoming terrorists or supporting terrorism by focusing on supporting and protecting those who might be vulnerable to radicalisation. <p>NOTE Please refer to BCP Risk Assessment for highlighted risks and controls</p>							
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7.a	Operational	Bi-borough	Managing statutory duty Sub-risks Non-compliance with laws and regulations Breach of duty of care	<ul style="list-style-type: none"> • Non-compliance may result in prosecution or a Corporate Manslaughter charge • Financial compensation may be claimed • Injury or death to a member of the public or employee • A breach of information security protocols may result in fines, harm to reputation and personal liability of Executive Directors • Inadequate level of service • Poor satisfaction with statutory services 	<ul style="list-style-type: none"> • The Royal borough Stock Conditions Surveys. • Capital Programme • Nigel Pallace is lead Sponsor on HFBB for Health & Safety • Pro-active Health, Safety and Welfare culture across the council. • Tri-borough - The Total FM contractor will manage a number of statutory and regulatory Health & Safety procedural, record and management processes. • Tri-borough Health & Safety protocols are being discussed and established. • Contractors are managed within CHAS regime. • Insurance cover is in place in the event of a claim for breach of duty of care and in respect of financial claims. • Legislative changes 	Annual Assurance process Assurance requires that actions are being taken to ensure compliance with the law and regulations HFBB, Audit Pensions and Standards Committee H&F Safety Committee Tri-borough Safety Committees CHS and ASC Internal Audit 2012 2013 Review of Health & Safety Statutory & Regulatory compliance	4	3	12	Medium 	Nicholas Holgate, Interim Bi-Borough Chief Executive Responsibility for Health & Safety, Debbie Morris (The Royal Borough of Kensington & Chelsea) Nigel Pallace Bi-Borough Executive Director of Transport and Technical Services All Executive Directors	Review November 2013


					<p>are adopted and reflected in amendment to the council's constitution, budget allocation through MTFS (Now unified business & financial planning process).</p> <ul style="list-style-type: none">• Training and guidance packages and newly agreed performance management indicators.• Periodic reporting to HFBB.• Health & Safety campaign on slips, trips and falls.• Tri-borough Health & Safety guidelines have been reviewed, refreshed and communicated.• Promotion of the Occupational Health Service and Workplace Options Employee Assistance Scheme.• Housing and Regeneration have rolled out personal safety training to over 130 staff through the Suzy Lamplugh Trust Training.• FSB reviewed and approved a process to harmonise the Management Assurance process at Director and Divisional level with that of RBKC.	<p>FSB, Executive Director of Finance and Corporate Governance, Chief Executive and Leader of the Council</p>						
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			<p>Equalities (public sector equality duty or 'PSED') and Human Rights</p> <p>(a budget challenge could be in whole terms or of a single line)</p>	<ul style="list-style-type: none"> Increased complaints, Ombudsman involvement, judicial review which can result in; quashing order, prohibiting order, mandatory order, declaration, injunction, damages, and potential further challenge to a budget. 	<ul style="list-style-type: none"> EIA's or Equality Statement (where applicable) must accompany all Cabinet, Full Council and Key Decision reports, KPI's EIA's and Equality Statements address Human Rights where applicable HFBB signed off actions that included a Policy for completion of Service Delivery EIA's (April 2012) and guidance for equality impacts of budget proposals to be drawn up and disseminated. 	<p>Limited Assurance report April 2012 H&F Application of the Equality Act 2010</p> <p>Officer Working Group</p>							
No. Page 158	Business risk Perspective (Strategic, Change or Operational)	Tri-borough Bi-borough or Sovereign risk	Risk	Consequence	First line of defence (Management Controls)	Second line of defence (Independent Assurance)	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer or Group	Review	
7.b	Operational	Tri-borough	<p>Standards and delivery of care</p> <p>Sub-risks</p> <ul style="list-style-type: none"> Breach in standard and delivery of care – caring and care homes The Executive, and Management Teams may not have been apprised of significant controls weaknesses that appear in the service area. 	<ul style="list-style-type: none"> Non-compliance may result in prosecution or a Corporate Manslaughter charge. Injury or death to a member of the public. Financial compensation may be claimed. 	<ul style="list-style-type: none"> Insurance cover is in place in the event of a claim for breach of duty of care and in respect of financial claims. Legislative changes are adopted and reflected in amendment to the council's constitution, budget allocation through 	<p>ASC Tri-borough Management Team (TMT).</p> <p>ASC CoCo, the Home Care Board, TAS programme, Whole Systems review board</p>	4	3	12	<p>Medium</p> 	Liz Bruce Tri-borough Executive Director of Adult Social Care	<p>Review</p> <p>November 2013</p>	

			<ul style="list-style-type: none"> • A breach of information security protocols in relation to an individual 	<ul style="list-style-type: none"> • Harm to the professional or personal reputation of the Council or individual Officer. • may result in fines, harm to reputation and personal liability of Executive Directors. • Inadequate level of service. • Poor satisfaction with statutory services. • Increased complaints. 	<p>MTFS (Now unified business & financial planning process).</p> <ul style="list-style-type: none"> • Training and guidance packages and agreed performance management indicators. • Periodic reporting to HFBB and the Royal Borough of Kensington and Chelsea Management Board. 	<p>H& F Housing, Health And Adult Social Care Select Committee</p> <p>Annual Assurance process</p> <p>The Royal Borough of Kensington & Chelsea Internal Audit</p> <p>The London Borough of Hammersmith & Fulham Audit Pensions and Standards Committee</p> <p>The Royal Borough of Kensington and Chelsea Audit and Transparency Committee</p> <p>Education & Childrens Services Select Committee</p> <p>Local Safeguarding Childrens Board, Unannounced Safeguarding Inspection, Ofsted , Local and London Child Protection Procedures</p>					<p>Andrew Christie Tri-Borough Executive Director of Childrens Services</p>	
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Corporate Parenting

		Sovereign	<p>Sub-risks (RBKC) Service quality of the short breaks services for people with learning disabilities. Kingsbridge Road.</p>	<ul style="list-style-type: none"> • Medication errors. • Quality of reporting and recording. • Poor quality support plans and risk assessments. • Resource availability • Application of shift protocols 	<ul style="list-style-type: none"> • Contract Management • Scrutiny by Officers in Contracts, Commissioning and Safeguarding. • The contractor has committed to self-funding immediate additional management and support staff for a minimum 6 months until the Royal Borough is satisfied with the service. 	<p>Officer Working Group</p> <p>Kingsbridge Road Care Quality Commission inspection 29th May 2013.</p>						
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No.	Business risk Perspective (Strategic, Change or Operational)	Tri-borough Bi-borough or Sovereign risk	Risk	Consequence	First line of defence (Management Controls)	Second line of defence (Independent Assurance)	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer or Group	Review
8.	Operational	Bi-borough	<p>Successful partnerships & Major Contracts</p> <p>Sub-risks</p> <ul style="list-style-type: none"> Partnering activity with other boroughs and the NHS may blur the lines of responsibility, accountability, governance or liability in the event of service failure Local Housing Company Differing procurement processes Financial Regulations and Contract Standing Orders across Tri-borough services 	<ul style="list-style-type: none"> Joint objectives are not met Community expectations are not met A business plan may not be concluded Decisions may be made which contradict or challenge the Contract Standing Orders or Financial Regulations of H&F 	<ul style="list-style-type: none"> Governance arrangements are in place Performance monitoring reports reported to Select Cttee's The Cabinet Member will be closely involved in business plan discussions Financial creditworthiness checks at Bi-borough Procurement Board (RBKC & H&F) 	<p>H & F Bridge Partnership Assurance process</p> <p>Internal Audit Substantial Assurance report 2011/12 Partnership Governance</p> <p>Bi-borough Procurement Board (RBKC & H&F)</p> <p>HFBB, Audit Pensions and Standards Committee</p>	4	3	12	<p>Medium</p> 	<p>Nicholas Holgate, Interim Bi-Borough Chief Executive</p>	<p>Review</p> <p>November 2013</p>


No.	Business risk Perspective (Strategic, Change or Operational)	Tri-borough Bi-borough or Sovereign risk	Risk	Consequence	First line of defence (Management Controls)	Second line of defence (Independent Assurance)	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer or Group	Review
9.	Operational	Sovereign (H&F)	Maintaining reputation and service standards Sub-risks <ul style="list-style-type: none"> • Multiplicity of external forces and initiatives <ul style="list-style-type: none"> • Breach of Officer or Member code of conduct <ul style="list-style-type: none"> • Information Management and Governance <ul style="list-style-type: none"> • Inappropriate Data released <ul style="list-style-type: none"> • Poor data quality internally or from third parties, breaches of 	<ul style="list-style-type: none"> • Threat to the status of the council <ul style="list-style-type: none"> • Failure to deliver plans & savings. • Ability to effectively lead and resource the transformation agenda is diminished • Service delivery deteriorates <ul style="list-style-type: none"> • Harm to the council's reputation • Potential adverse media reporting <ul style="list-style-type: none"> • Potential fines or action from the Information Commissioner • Quality and integrity of data held in support of Performance Management & 	<ul style="list-style-type: none"> • The Annual Residents Survey • A review of the corporate governance arrangements has been conducted by Internal Audit • Annual Complaints review report April 2010 to March 2011 produced to Committee • Combined Finance & Service Planning processes <ul style="list-style-type: none"> • New Standards procedures are in place • Standards issues now covered under the Audit Pensions and Standards Committee <ul style="list-style-type: none"> • Information governance forms part of the Tri-borough ICT Programme • New Information Management Security Protocols published on the Intranet 	Cabinet Ofsted, Care Quality Commission, Annual Audit letter HFBB, Audit Pensions and Standards Committee, Overview and Scrutiny Board Tri-borough Information Management Project Board ITSOG Management Letter has been issued (based	4	3	12	Medium 	Jane West, Executive Director of Finance and Corporate Governance (The London Borough of Hammersmith and Fulham)	Review November 2013

			<p>information protocols, information erroneously sent to third parties.</p> <ul style="list-style-type: none"> • Auto forwarding of information (Information control and threat of leakage) • Local information interconnectivity and data storage (hosting) 	<p>Financial systems leads to under or over estimation</p> <ul style="list-style-type: none"> • Data management 'without boundaries' could be more sensitive to local, national or geographical service interruption, theft, loss or duplication 	<ul style="list-style-type: none"> • Regular reporting on Security Incidents by the Information Management Team • Performance statistics are scrutinised by Select Committees, HFBB & DMT's • Corvu Performance Management System is able to pick up anomalies • Data Quality E-Learning module has been released • From Wednesday 1st August 2012, the Council is introducing a new contractor (industry specialists) for the collection and destruction of confidential waste from all Council offices in the H&F. • Webmail has now been banned across H&F • New Egress system introduced to protect confidential e-mails going outside of Tri-borough 	<p>on comparison to requirements under the Data Protection Act)</p>						
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No.	Business risk Perspective (Strategic, Change or Operational)	Tri-borough Bi-borough or Sovereign risk	Risk	Consequence	First line of defence (Management Controls)	Second line of defence (Independent Assurance)	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer or Group	Review
10.	Operational	Bi-borough (Tri-borough) (from April 2013)	Managing fraud (Internal & External) Sub-risks Misappropriation of assets Appointee ship/custodian or guardian Contracting Gifts & Benefits Manipulation of performance data, collusion, billing, non-compliance with Financial and or Contract Standing Orders Misrepresentation of Personal or Commercial Circumstances NNDR Payroll Cheque Grant award Treasury Housing and Tenancy Fraud Benefit Fraud	<ul style="list-style-type: none"> • Loss of reputation • Financial loss • Loss of asset • Loss of revenue • Adverse regulatory /audit report 	<ul style="list-style-type: none"> • An adaptable Bi-Borough corporate fraud function now exists which responds through a single professional and effective team to the challenging and changing range of fraud, both internally and externally executed. • CAFS teams use a risk assessment to assist in targeting and workload prioritisation • Literature, web presence and training is being reviewed to deliver to all levels of the authority • Information and guidance is available on the corporate intranet • Level of fraud is being tracked through FSB • Close working relationship is established with the Police, DWP and other enforcement agencies • Bribery Act Policy and Risk Register • Money laundering 	Both H&F and RBKC Audit Committees receive biannual reports on Fraud HFBB receive quarterly summary information on anti-fraud activity	4	3	12	Medium 	<u>Tri-borough</u> Nicholas Holgate, Interim Bi-Borough Chief Executive H&F Jane West, Executive Director of Finance and Corporate Governance (The London Borough of Hammersmith and Fulham) All Executive Directors Bi-borough Director of Internal Audit, Risk, Fraud and Insurance	Review November 2013


					policies recently reviewed and amended.							
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OPPORTUNITY RISKS (Where the is in excess of £3Million Benefit to H&F)

No.	Business risk Perspective (Strategic, Change or Operational)	Tri-borough Bi-borough or Sovereign risk	Opportunity Risk	Consequence	First line of defence (Management Controls)	Second line of defence (Independent Assurance)	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer or Group	Review
3.	Change	Sovereign (H&F)	Regeneration of King Street and Civic Offices Sub-risks GLA do not approve the proposals	<ul style="list-style-type: none"> The Town Hall extension has come to the end of its life and needs to either be demolished or refurbished. An estimated cost of around £18m in temporarily accommodating staff through a relocation to facilitate repairs New office accommodation at no cost is being provided in exchange for land A new modern building is also expected to save around £150,000 in energy costs Jobs will be created in King Street A new community-sized supermarket and a range of new restaurants and other retailers, alongside a council 'One Stop Shop', will draw more people down King 	<ul style="list-style-type: none"> The Leader of the H&F Council announced revised proposals regarding the height of buildings in the residential blocks. King Street Development will be reviewing the scheme over the coming months and a further consultation with residents' and amenity groups will follow later in the year. Exhibition of 3 bid schemes 2007 Statement of Community Involvement – Two public consultation exercises Private meetings with residents Stakeholder Forums Flyer to 15,000 homes Pre application meetings with GLA and local amenity groups 1800 letters sent to individual properties 	Cabinet Planning Applications Committee Mayor of London Greater London Authority Port of London Authority English Heritage	2	4	8	Low 	Nigel Pallace Bi-Borough Executive Director of Transport and Technical Services	Review November 2013

				<p>Street and encourage more investment in the area</p> <ul style="list-style-type: none">• Successful redevelopment would enable the council to terminate contracts for various costly leased buildings around the borough savings around £2 million a year.	<p>in the wider area.</p> <ul style="list-style-type: none">• Consultation with statutory groups; GLA, HAFAD, Port of London Authority, LFEPA, Metropolitan Police, English Heritage & Archaeology, Natural England, CAA, BAA Airports, Thames Water, Environment Agency, TfL• Residents Groups & Landowners; Thomas Pocklington Trust, Tesco, Quakers, Amenity Groups, Brackenbury Residents Assoc. The Georgian Group, HAMRA, the Hammersmith Soc. H & F Historic Buildings Group, Ravenscourt Action Group, Ashchurch Residents Assoc. Old Chiswick Protection Soc. Digby Mansions 39-58a Residents Assoc. <p>Submitted by the Planning Applicant;</p> <ul style="list-style-type: none">• Environmental Statement, Energy Statement, Flood Risk Assessment,• Air Quality Assessment, Environmental Noise Assessment, Lighting Strategy• Phase 1 Habitat Survey & ecological							
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					database search • Telecommunications assessment							
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No.	Business risk Perspective (Strategic, Change or Operational)	Tri-borough Bi-borough or Sovereign risk	Opportunity Risk	Consequence	First line of defence (Management Controls)	Second line of defence (Independent Assurance)	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer or Group	Review
4.	Change	Bi-borough	Earls Court regeneration	<ul style="list-style-type: none"> The Mayor of London has given his consent to the redevelopment of Earls Court and the surrounding area, paving the way for a £8billion investment enabling the creation of thousands of new homes and jobs. Comprehensive redevelopment allows existing housing stock to be replaced on a "new for old" basis and 16% of existing tenants who are overcrowded can be re-housed in homes with enough bedrooms to meet their need. Proposed guarantees for tenants and leaseholders include; <ul style="list-style-type: none"> - Brand new replacement homes, one move only within the local area. - Tenants remain secure Council 	<ul style="list-style-type: none"> Earls Court Regeneration Team supported by high quality advisory team comprising Jones Lang LaSalle, SNR Denton and PWC. All major decision reports reviewed by Tim Kerr QC in relation to Judicial Review challenge risk. Workshops in August 2012 to cover procurement, risk, finance, housing redevelopment, planning, legal and communications. Comprehensive report submitted to and approved by Cabinet 3rd September 2012. The council received £15m from Capital and Counties (CapCo) for signing an exclusivity agreement relating to the Earl's Court Regeneration site. Of this receipt, £10m is refundable should completion of the CLSA not occur, the 	<p>Project Group chaired by Executive Director</p> <p>HFBB and the Royal Borough Management Board</p> <p>Cabinet</p> <p>Housing, Health And Adult Social Care Select Committee</p> <p>Planning Applications Committee</p> <p>The Royal Borough Major Planning Development Committee</p> <p>The Royal Borough Planning Applications Committee</p>	2	4	8	Low 	Mel Barrett Executive Director of Housing	Review November 2013





				<p>tenants and continue to pay Council rents – there is no stock transfer and therefore no requirement for a ballot.</p> <p>- Phased approach allows communities to be moved together.</p> <p>Comprehensive regeneration offers opportunity to secure major estate renewal across the West Kensington and Gibbs Green estates as well as offering major regeneration benefits including 7,500 new homes, 36,000 construction jobs, 9,500 permanent jobs and £99.5 million per annum of additional local expenditure, together with additional community facilities comprising new schools, leisure and health facilities, new open and play space and a significant increase in job opportunities.</p>	<p>remaining £5m is not refundable under any circumstances</p>							
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Note 1. All key risks have been extracted from(but not limited to) a number of sources for analysis by the Royal Brought of Kensington and Chelsea Management Board and Hammersmith & Fulham Business Board . The sources include;

- i. Previous models of the Corporate Risk & Assurance Registers.
- ii. World Economic Forum Global risks 2012.
- iii. Information identified from Tri Borough Programme, Departmental Risk & Assurance Registers.

- iv. Officers Knowledge and experience.
- v. Tri-Borough & H&F Portfolio, Programme and Projects summary reports.
- vi. Procurement exercises.
- vii. Significant Weaknesses established from the Annual Assurance process.
- viii. Audit & Fraud Reports.
- ix. Knowledge and experience of public sector risks from the Bi-borough Risk Manager.
- x. Data Quality and Integrity.
- xi. Cabinet, Scrutiny and public domain reports.
- xii. WCC H&F and RBKC Risk knowledge pooled information.
- xiii. Zurich Municipal, Grant Thornton and Price Waterhouse Coopers reports.

Note 2. Categorised under the PESTLE methodology as published in the Hammersmith & Fulham Risk Standard. Compliant with BS31100/ ALARM/IRM/CIPFA best practice.

Score	Key
16-25	 RED - High and very high risk - immediate management action required
11-15	 AMBER - Medium risk - review of controls
6-10	 GREEN - Low risk - monitor and if escalates quickly check controls
1-5	 YELLOW - Very low risk - monitor periodically

	London Borough of Hammersmith & Fulham (AUDIT, PENSIONS AND STANDARDS COMMITTEE) (5 December 2013)
Internal Audit Quarterly report for the period 1 July to 30 September 2013	
Open Report	
For Information	
Key Decision: No	
Wards Affected: None	
Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance	
Report Author: Geoff Drake – Chief Internal Auditor	Contact Details: Tel: 020 753 2529 E-mail: geoff.drake@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 July to 30 September 2013 as well as reporting on the performance of the Internal Audit service.

2. RECOMMENDATIONS

- 2.1. To note the contents of this report

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. INTRODUCTION AND BACKGROUND

- 4.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 July to 30 September 2013 as well as reporting on the performance of the Internal Audit service.
- 4.2. In order to minimise the volume of paperwork being sent to Committee members, documents detailing outstanding recommendations and reports, as well as the full text of all limited or nil assurance reports have not been appended to this report. However, the information has been made available to all members separately.

5. PROPOSAL AND ISSUES

5.1. Internal Audit Coverage

- 5.1.1. The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found internal audit will propose solutions to management to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner
- 5.1.2. A total of 7 audit reports were finalised in the second quarter of 2013/2014 from 1 July to 30 September. In addition 1 management letter and 2 follow ups were issued.
- 5.1.3. Of the 2 follow ups undertaken, in one case all but one recommendation had been fully implemented and in the second case all but two recommendations had been fully implemented (see Appendix A for detail).
- 5.1.4. 3 audit reports issued in this period received limited assurance:
 - 5.1.4.1. The Kenmont Primary School audit made 10 recommendations (2 P1s, 7 P2s and 1 P3) of which all have been reported as implemented;
 - 5.1.4.2. The Register Office audit made 13 recommendations of which 6 have been reported as implemented. The remaining recommendations is (4 P1 and 3 P2) are due to be implemented by 1 January 2013;
 - 5.1.4.3. The Edward Woods Regeneration Project audit made 2 P2 recommendations of which both have been reported as implemented. It should be noted that a number of issues were identified for which it would not be practical to raise a recommendation as the project is complete.

- 5.1.5. The Internal Audit department works with key departmental contacts to monitor the number of outstanding draft reports and the implementation of agreed recommendations.
- 5.1.6. Departments are given 10 working days for management agreement to be given to each report and for the responsible director to sign it off so that it can then be finalised. There are currently 4 reports outstanding that were due to be signed off on or before 30 September 2013. These reports are listed in Appendix B for information.
- 5.1.7. 2 of these reports relate to Children's Services and 2 relate to Corporate Services.
- 5.1.8. There is now 1 audit recommendation made since Deloitte commenced their contract in October 2004 where the target date for the implementation of the recommendation has passed and they have either not been fully implemented or where the auditee has not provided any information on their progress in implementing the recommendation. This compares to 4 outstanding as reported at the end of the previous quarter and represents a slight improvement in the overall position. We continue to work with departments and HFBP to reduce the numbers of outstanding issues.
- 5.1.9. The outstanding recommendation relates to the Corporate Services department.
- 5.1.10. The recommendation is over 6 months past the earlier target date for implementation as at the date of the Committee meeting. It relates to the audit of Corporate Information Management and Security. Internal Audit are continuing to focus on clearing the longest outstanding recommendations and to that end will be arranging meetings with the relevant departmental managers responsible for all recommendations overdue by more than 3 months as and when this occurs.

Percentage of 2009/10 year audit recommendations past their implementation date that have been implemented.	99.5%	390 recommendations implemented out of a total of 392 2 recommendations outstanding
Percentage of 2010/11 year audit recommendations past their implementation date that have been implemented.	100%	206 recommendations implemented out of a total of 206 No recommendations outstanding
Percentage of 2011/12 year audit recommendations past their implementation date that have been implemented.	99.6%	253 recommendations implemented out of a total of 254 1 recommendations outstanding
Percentage of 2012/13 year audit recommendations past their implementation date that have been implemented.	100%	226 recommendations implemented out of a total of 226 No recommendations outstanding
Percentage of 2013/14 year audit recommendations past their implementation date that have been implemented.	100%	27 recommendations implemented out of a total of 27 No recommendations outstanding

5.2. Internal Audit Service

5.2.1. Part of the CIA's function is to monitor the quality of Deloitte work. Formal monthly meetings are held with the Deloitte Contract Manager and one of the agenda items is an update on progress and a review of performance against key performance indicators. The performance figures are provided for the period from 1 April to 30 September 2013 are shown below.

Performance Indicators 2013/14

Ref	Performance Indicator	Target	Pro rata target	At end of September 2013	Variance	Comments
1	% of deliverables completed (2012/13)	95%	50%	37%	-13%	41 deliverables issued out of a total plan of 110 (accounting for audits carried forward)
2	% of planned audit days delivered (2012/13)	95%	50%	50%	0%	461 days delivered out of a total plan of 925 days (accounting for audits carried forward)
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	89%	-6%	16 out of 18 briefs issued more than ten working days before the start of the audit.
4	% of Draft reports issued within 10 working days of exit meeting	95%	95%	85%	-10%	22 out of 26 draft reports issued within 10 working days of exit meeting
5	% of Final reports issued within 5 working days of the management responses	95%	95%	100%		6 out of 6 final reports issued within 5 working days.

5.3. Audit Planning

5.3.1. Further to the plan agreed by the Committee, amendments that were made to the 2012/13 Internal Audit Plan are shown in Appendix C. The new bi-borough Internal Audit service combining the services for Hammersmith and Fulham plus Kensington and Chelsea formally started on 1 July 2013. The service will continue to work closely with the Westminster council internal audit service to provide a co-ordinated and cost-effective service.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. Not applicable

7. CONSULTATION

7.1. Not applicable

8. EQUALITY IMPLICATIONS

8.1. Not applicable

9. LEGAL IMPLICATIONS

9.1. Not applicable

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Not applicable

11. RISK MANAGEMENT

11.1. Not applicable

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable

**LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Full audit reports from October 2004 to date	Geoff Drake Ext. 2529	Corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU

LIST OF APPENDICES:

Appendix A	Audit reports issued 1 July to 30 September 2013
Appendix B	Internal Audit reports in issue more than two weeks as at 30 September 2013
Appendix C	Amendments to 2013/14 Internal Audit Plan

APPENDIX A

Audit reports Issued 1 July to 30 September 2013

We have finalised a total of 6 audit reports for the period to 1 July to 30 September 2013. In addition, we have issued a further 1 management letter and 2 follow ups.

Audit Reports

We categorise our opinions according to our assessment of the controls in place and the level of compliance with these controls.

Audit Reports finalised in the period:

No.	Audit Plan	Audit Title	Director	Audit Assurance
1	2012/13	Kenmont Primary School	Andrew Christie	Limited
2	2012/13	Edward Woods Regeneration Project	Mel Barrett	Limited
3	2013/14	Miles Coverdale Primary School	Andrew Christie	Satisfactory
4	2013/14	Vanessa Nursery School	Andrew Christie	Satisfactory
5	2013/14	Budgetary Control	Jane West	Satisfactory
6	2013/14	Local Support Payments	Jane West	Substantial
7	2013/14	Register Office	Lyn Carpenter	Limited

Substantial Assurance

There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.

Satisfactory Assurance

While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Limited Assurance

Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

No Assurance

Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Other Reports

Management Letters

No.	Audit Plan	Audit Title	Director
8	2013/14	General Development Control Return	Nigel Pallace

Follow ups

No.	Audit Plan	Audit Title	Implemented	Partly Implemented	Not Implemented	Not Applicable
9	2013/14	HFBP Inventory Management	6	2	0	0
10	2013/14	ICT Programme Management	10	1	0	0

APPENDIX B

Internal Audit reports in issue more than two weeks as at 30 June 2013

No.	Audit Year	Department	Responsible Director	Audit Title	Assurance	Draft report issued on	Responsible Officer	Target date for responses	Awaiting Response From
1	2013/14	Children's Services	Andrew Christie	Old Oak Primary School	Satisfactory	19/07/2013	Headteacher	02/08/2013	Executive Director
2	2013/14	Children's Services	Andrew Christie	Phoenix High School	Satisfactory	17/09/2013	Headteacher	01/10/2013	Auditee and Executive Director
3	2012/13	Corporate Services	Jane West	PCI Compliance	N/A	28/08/2013	Head of Finance Systems Controls and Payments	11/09/2013	Auditee and Executive Director
4	2012/13	Corporate Services	Jane West	Corporate Services Departmental Management of Projects	Satisfactory	25/03/2013	Executive Director of Finance and Corporate Governance	08/04/2013	Auditee and Executive Director

Amendments to 2013/14 Audit Plan

	Department	Audit Name	Nature of Amendment	Reason for amendment
1	Adult Social Care	IT Security CLCH	Removed	CLCH integrating project delayed. To be included in 2014/15 audit plan if required.
2	Transport and Technical Service	General Development Control Return	Added	Added upon request of department