

Audit, Pensions and Standards Committee

Agenda

Wednesday 15 June 2016

7.00 pm

COMMITTEE ROOM 1 - HAMMERSMITH TOWN HALL

MEMBERSHIP

Administration:	Opposition
Councillor Iain Cassidy (Chair) Councillor Ben Coleman Councillor Michael Cartwright Councillor PJ Murphy Councillor Guy Vincent	Councillor Michael Adam Councillor Nicholas Botterill Councillor Mark Loveday Councillor Donald Johnson

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Date Issued: 08 June 2016

Audit, Pensions and Standards Committee Agenda

15 June 2016

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14.	DATES OF FUTURE MEETINGS The following dates are proposed: <ul style="list-style-type: none">• 13 September 2016• 7 December 2016	

15. 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.

16. EXEMPT MINUTES OF THE PREVIOUS MEETING

17. LIMITED AND NIL-ASSURANCE AUDIT REPORTS (EXEMPT)

The Committee to consider the following internal audit reports:

- Brackenbury Primary School
- Garages
- MSP High Level Review
- MSP Implementation Planning
- Section 75 Agreements - Mental Health

More Information on Declarations of Interest

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.

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.

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.

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.

London Borough of Hammersmith & Fulham

Audit, Pensions and Standards Committee

Minutes



Tuesday 22 March 2016

PRESENT

Committee members: Councillors Iain Cassidy (Chair), Ben Coleman, Adam Connell, PJ Murphy, Guy Vincent, Mark Loveday, and Donald Johnson

Officers: Hitesh Jolapara, Geoff Drake, Moyra McGarvey, Mike Robinson, Martin Calleja, Nick Austin, Ian Hawthorn, Mike Sloniowski, and David Abbott

1. MINUTES OF THE PREVIOUS MEETING

RESOLVED

The minutes of the meeting held on 13 January 2016 were agreed as a correct record and were signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Michael Adam and Nicholas Botterill.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. CERTIFICATION OF GRANT CLAIMS 2014/15

Hitesh Jolapara presented the report that detailed the findings of the external auditor, KPMG, when certifying the Council's grant claims for the financial year 2014/15. He highlighted the unqualified housing benefit subsidy claim which was amended and the teacher's pensions end of year certification return that required two minor adjustments. There were no recommendations arising from the report.

RESOLVED

That the Committee noted the KPMG letter.

5. RISK MANAGEMENT IN ADULT SOCIAL CARE AND HEALTH

Mike Robinson (Director of Public Health) and Martin Calleja (Head of Transformation, Adult Social Care) presented the report that outlined the risk management arrangements in both Adult Social Care and Public Health.

Mike Robinson drew the Committee's attention to section 4 of the report (page 18), *Managing Current Strategic Risks*, and highlighted three key risks for Public Health:

- **Public Health grant reductions and removal of the ring-fence** - The service had reviewed its contract arrangements to identify efficiencies and had set up a task and finish group to look at alternative delivery models.
- **Clinical governance risk** - A clinical governance clause had been written into all NHS contracts to ensure robust governance was undertaken by the provider. There would be a review of other partners later this year.
- **Public Health restructure risk** – The current Public Health team was hosted within Westminster City Council and had not undergone any significant change since its inception. While there was no current pressure to reduce costs the service was looking to increase its effectiveness and make sure its skills were accessible across all council departments.

Martin Calleja highlighted five key risks for Adult Social Care on page 20 of the report:

- **Reducing resources** – Successive years of budgetary reductions and ever increasing demand on resources made this a key risk for the service.
- **Responding to changing legislation** – The Care Act had created new requirements for the service. In response to this officers were working to change their service model to focus more on prevention and reablement to contain carer costs. Work was ongoing to identify further savings opportunities through service redesign and 'smarter budgeting'.
- **Reducing customer satisfaction** – There was an increased risk of reducing customer and carer satisfaction as the service carried out significant change programmes. To mitigate this risk the service was investing in more effective communications and change management.
- **Workforce risks** – There were recruitment and retention risks for social care staff, both internal and commissioned. In response to this the service had formed a workforce board and written a workforce management plan.
- **Market unable to provide services** – The adult social care market was fragile and there was a risk it would not provide the necessary level of services. The service was undertaking market management and development in partnership with the West London Alliance.

Mike Robinson and Martin Calleja both noted that the managed services programme continued to be a risk across both departments and they were working with HR and Finance colleagues to mitigate the impacts.

Members asked why the risks identified by Adult Social Care were so much more severe than those identified by Public Health; was there a different approach to risk management or did it simply reflect the reality of the different services? Mike Robinson responded that he was not aware of any difference in approach between

the two services. Adult Social Care was a high risk area while Public Health, at least in the short term, was less so. Martin Calleja added that officers would ensure there was greater consistency in future.

Members asked officers which, of the risks that had increased in score over the past 12 months, were the most concerning. Martin Calleja responded that the risks around budgetary pressures and increasing demand were the most uncertain. Balanced budget were anticipated across the three boroughs this financial year but 2016/17 would be very challenging.

Members noted that the risk management reports were badly presented, with tiny text and colour keys that were useless when agendas were printed in black and white. Officers agreed to improve them for the next meeting.

Members highlighted instability shown within the commissioning team on page 21 of the report under 'Workforce risks' where 39 of the 63 posts required external recruitment. Members asked how the service would resolve those recruitment issues. Martin Calleja responded that the workforce management plan and the commissioning risk register contained more detail on how that would be managed but some mitigations included extending notice periods for staff and looking to make managers into commissioners.

Members asked how many vacancies there were in the commissioning service at the present time. Officers responded that there were 24 vacancies but the service was using interims and moving staff from other areas of the business to support. The reason for the high number of vacancies was that the service was changing to adapt to a very different type of commissioning than was required in the past.

Members asked if there were comparable levels of vacancies within the Public Health service. Mike Robinson noted that the restructure referenced in the report was just a proposal and the current team was relatively stable with few vacancies.

Members asked if the Medium Term Financial Strategy had required a restructure. Mike Robinson responded that the restructure was not being planned to address cost savings but rather was designed to better integrate Public Health in other council services and spread understanding and accountability for health outcomes.

Members noted concerns about the recruitment issues highlighted in 4.3.4 of the report and asked officers to look again at their provision for that risks and return to the Committee with a more robust mitigation strategy.

Members asked officers if other local authorities were offering more competitive salaries and benefits. Martin Calleja responded that this problem was a national issue and the best staff had a wide range of options. Frontline care managers and frontline carers were most affected by these issues.

Members asked if the current level of funding was sufficient for the level of people with complex needs in the borough. Martin Calleja said that funding did not completely cover the increased levels of demand but the service was working closer with health colleagues and investing in initiatives like the Better Care Fund

and the 'whole systems' programme to help manage demand. Members asked for the cost of provision above the allocated budget.

Members, referring to 4.4.1 of the report, asked if the managed services programme was causing significant problems for the service. Martin Calleja reported that Adult Social Care had suffered serious problems such as direct payments not being paid but they had put in various contingencies to lessen the impact on vulnerable people and carers. Officers noted that managed services was improving but there was still a way to go before it was up to the required operational standard.

Members asked if the changing priorities and pressures of the shared service arrangements had contributed to staff recruitment and retention problems. Martin Calleja said that some staff liked the challenge and variety of working across the boroughs while others found it problematic.

Members, in reference to 4.3.5 of the report, asked if it was possible the Council was partly to blame for not communicating correctly with the market. Martin Calleja responded that the service needed to be facilitators of the market but many providers were facing squeezed profit margins and workforce retention difficulties that were difficult to address.

Members asked if there was a risk that the Council was taking certain aspects of the delivery programme, that relied heavily on the market, for granted. Members also noted that perhaps companies should be considered partners rather than suppliers. Officers said they would reflect further on these points and feedback to the senior leadership teams.

Members asked if there was a genuine culture of risk management within the services and that it was not just a seen as a box-ticking exercise.

Mike Robinson responded that in Public Health they held monthly staff meetings to discuss the risks of particular options. Staff consider the desired outcomes, interventions, and associated risks. Martin Calleja noted that in Adult Social Care there were staff workshops looking at how to improve service processes. By making sure staff were fully involved in the redesign it also gave them confidence about reducing the risks of managing with reduced resources.

Members asked officers for an example of where the risk management process had generated real action. Martin Calleja responded that the risks associated with financial delivery and meeting demand made officers put the customer journey project on twelve week accelerated programme to address savings concerns. He noted that risk management was a core part of the culture of the management team.

RESOLVED

1. That the Committee reviewed the risk management arrangements that have been put in place by both the Adult Social Care and Public Health services and endorse the mitigating actions for each key high-level strategic risk.
2. Members asked senior officers to address the recruitment issues in the Adult Social Care commissioning team and provide an update on progress to the Committee outside of the meeting. Members asked that the note to

the Committee included detail of how the number of vacancies got to be so high.

6. **INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 OCTOBER TO 31 DECEMBER 2015**

Geoff Drake presented the report that summarised internal audit activity in respect of audit reports issued during the period 1 October to 31 October 2015. Geoff Drake noted that since the publication of the agenda officer had been informed that four out of the five recommendations relating to the ICT service had been implemented and all recommendations related to Kenmont Primary school had been reported as implemented.

Members asked if Internal Audit were on track to reach their target of 95 percent deliverables completed during the period. Geoff Drake said they were expecting to achieve the target.

Members, in reference to the summary of outstanding recommendations at Appendix E on page 120 of the agenda, highlighted that the required six week reviews had not taken place and felt it was illustrative of wider staff issues within the Adult Social Care service that needed addressing as a priority. Martin Calleja noted that the six week review was a 'light-touch check in' that was considered to be a part of good customer service, the challenge would be capacity to carry out the annual review. To address these issues a performance board had been set up and a consultant had been brought in to look at case management. The service was doing all it could to improve performance.

The Committee agreed that the Chair should write to the Chair of the Adult Social Care, Health, and Social Inclusion Policy and Accountability Committee noting the staffing issues and their effect on the provision of services and recommending a review of those functions.

Members thanked officers for their open and honest approach in bringing these issues to the attention of the Committee.

Members noted that a number of the service responses were filled with acronyms and obfuscating technical language. They asked officers to give clearer responses in future that members of the public would be able to understand.

Outstanding Recommendation – Organisational Health and Safety

Nick Austin (Director for Environmental Health) addressed the Committee and outlined the audit recommendations under his responsibility. He highlighted recommendation 10, requiring all service lines to provide a copy of their risk registers to Corporate Health and safety, and noted that it was taking longer than anticipated but expected it to be completed by the end of April.

Members asked that officers reported any services who did not complete their risk register by the end of April to the Committee.

ACTION: Nick Austin

Members asked Nick Austin if the Council's departments took risk management seriously. He responded that it varied from service to service but in general there was a good culture of risk management in the organisation. Senior managers had recently completed health and safety training that had good outcomes. A link to the training would be circulated to the Committee for their reference outside of the meeting.

ACTION: Nick Austin

Outstanding Recommendation - Rechargeable Street Works

Ian Hawthorn (Head of Highway Maintenance and Projects) addressed the Committee and outlined the audit recommendations under his responsibility. He informed the Committee that rechargeable street works comprised works that were carried out to repair damage, caused by utilities companies for example.

Members felt the performance indicators against recommendation 11 were unclear and should include an indicator for 'percentage of works completed within the allocated time frame' or similar. The Committee requested more information on the current performance indicators and target dates for delivery.

ACTION: Ian Hawthorne

RESOLVED

That the Committee noted the contents of the report.

7. RISK MANAGEMENT HIGHLIGHT REPORT

Mike Sloniowski presented the report that provided an update on the status of key operations risks identified by Council departments. He noted that other departments would be invited to present their risk reports as Adult Social Care and Public Health had done.

The Chair noted that some services, e.g. Housing, had provided full detailed responses but other sections such as the Safer Neighbourhoods Team were left blank. It was suggested that Environmental Services were invited to the next meeting of the Committee to present their risk report.

Members requested that the Housing risk register be used as an exemplar for other departments.

Members asked if it was possible to standardise the format of the risk reporting system and ensure that papers were printed in colour on A3 paper to aid readability.

Members, referring to *Market Testing Risks* on page 39 of the report, recommended that the commissioning and procurement plans reported to Cabinet be open to the public if possible to ensure transparency. Officers would take this feedback into consideration when writing and categorising the reports.

Members, referring to *Information Management and Digital Continuity* on page 42 of the agenda, noted that the Committee had expressed concern about the risk of large penalties from the Information Commissioner in the past and asked why the 'direction of travel' for this risk was going up. Mike Sloniowski responded that staff training on information security had been completed but he would have to consult with ICT colleagues and inform members outside of the meeting if there had been any specific issues that had increased the risk.

Members, with reference to *Housing Stock Transfer* on page 48 of the agenda, asked for an update on the position of the Department for Communities and Local Government. Mike Sloniowski said he would consult with Finance and Housing colleagues and update the Committee outside of the meeting.

Members noted that risk registers from some departments, particularly Children's Services, were not detailed enough and asked that officers showed them good examples of effective risk registers to emulate in the future.

Members noted, with reference to *Earl's Court Regeneration* on page 75, asked why the direction of travel for the risk was going down by the overall risk score remained at the highest possible level. Officers would consult with colleagues and provide an answer outside of the meeting.

Councillor Ben Coleman, with reference to Market Testing Risks on page 39, asked to be sent the CapitalESourcing Nil Assurance Report from Westminster City Council.

Members asked if there had been any assessment of the direct or indirect impacts of Britain voting to leave the European Union. Officers responded that the management team would need to consider this but it was anticipated that the Local Government Association and the Department for Communities and Local Government would do detailed analysis in this area.

RESOLVED

1. That the Committee noted that quarterly reviews of strategic risks faced by the Council were undertaken by Hammersmith and Fulham Business Board.
2. That the Committee considered the risks and corresponding mitigations in the register for appropriateness, attached as Appendix 1, the Strategic Register, and Appendix 2, the Service Level Register.

8. ANNUAL GOVERNANCE STATEMENT ACTION PLAN AND OUTSTANDING RECOMMENDATIONS FOR EXTERNAL AUDIT

Geoff Drake presented the report that summarised progress on the implementation of recommendations arising from the External Audit Report 2014/15 and the Annual Governance Statement.

Hitesh Jolapara noted that the roll-out of the income manager module in managed services was now expected to be completed by March or June.

Members asked if there was still a risk of a qualified audit. Hitesh Jolapara responded that there was still a risk. Auditors would be looking for a stable control environment of at least twelve months which would be a challenge. It was expected that the accounts would be qualified but officers had serious concerns about the control environment.

RESOLVED

That the Committee noted the contents of the report.

9. INTERNAL AUDIT ANNUAL PLAN 2016/17

Geoff Drake presented the report that summarised the approach used to develop the Internal Audit plans for the 2016/17 year and the audit plans.

RESOLVED

That the Committee noted the 2016/17 year Internal Audit plan.

10. LBHF PEER REVIEW OF INTERNAL AUDIT - DECEMBER 2015

Geoff Drake presented the review of internal audit carried out by the Head of Anti-Fraud and Internal Audit at the London Borough of Southwark. The review confirmed that internal audit 'generally conforms' with the UK Public Sector Internal Audit Standards, meaning that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least complied with the requirements of the section in all material respects.

RESOLVED

That the Committee noted the contents of this report.

11. DATE OF THE NEXT MEETING

The next meeting was scheduled for 15 June 2016.

12. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED

That 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 paragraph 3 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.

13. EXEMPT MINUTES OF THE PREVIOUS MEETING

RESOLVED

That the exempt minutes of the meeting held on 13 January 2016 were agreed as a correct record and were signed by the Chair.

14. INTERNAL AUDIT REPORT - CARRIAGE AND FOOTWAY MAINTENANCE

The Chair, with reference to the table at the bottom of page 153 of the agenda, asked why the 'percentage of repudiated claims closed as a percentage of the total closed' figure was so much higher for Kensington and Chelsea than it was Hammersmith and Fulham. Ian Hawthorn explained that it was due to the quality of the street networks in each borough. Kensington and Chelsea had one of the best street networks in London while Hammersmith and Fulham had to take a more reactive approach to street maintenance.

The Chair asked how our pavement and road quality compared with Wandsworth or another similar borough. Ian Hawthorne said there was significant variation between boroughs, for example Enfield had around 10,000 potholes on its network, Hammersmith and Fulham had around 1000, and Kensington and Chelsea had just 50.

The Chair asked how much more Hammersmith and Fulham spent on reactive repairs compared with Kensington and Chelsea. Ian Hawthorn informed members that the Council spend around £1,000,000 per year on reactive repairs while Kensington and Chelsea spent just £200,000. Members said they would be interested to know the difference in insurance costs between Kensington and Chelsea and Hammersmith and Fulham.

ACTION: Ian Hawthorn

Ian Hawthorn informed members that the new highways management programme, due to go before Cabinet this year, recommended that the Council moved to a longer term, planned model that would improve the quality of the network asset and bring down the number of reactive works.

Members, with reference to Appendix 1 – Service Objective 3, asked if officers would complete the target by the allotted deadline. Officers responded that the issued had been caused by the managed services programme and were taking a considerable amount of officer time to track and resolve. The Council had gone from being one of the best payers to one of the worst due to these issues and monthly contractor meetings had to be held to check all payments.

Members asked what work had been delayed or shelved due to managed services problems. Ian Hawthorn responded that service improvement work had been deferred including shared service workshops and preparation work for the new code of practice scheduled for June.

15. INTERNAL AUDIT REPORT - KENMONT PRIMARY SCHOOL

Members considered the internal audit report on Kenmont Primary School.


16. INTERNAL AUDIT REPORT - PREMISES LICENSING

Members considered the internal audit report on premises licencing.

Meeting started: 7.00 pm
Meeting ended: 10.00 pm

Chair

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<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p>15 June 2016</p>	
PENSIONS SUB-COMMITTEE MEMBERSHIP	
Report of the Strategic Finance Director	
Open Report	
<p>Classification: For Decision Key Decision: No</p>	
Wards Affected: All	
Accountable Executive Director: Hitesh Jolapara, Strategic Finance Director	
<p>Report Author: David Abbott, Committee Coordinator</p>	<p>Contact Details: Tel: 020 8753 2063 E-mail: david.abbott@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The Audit, Pensions and Standards Committee is required to approve the membership of the Pensions Sub-Committee for the 2016/17 Municipal Year.

2. RECOMMENDATION

- 2.1. The Committee is asked to approve the 2016/17 membership of the Pensions Sub-Committee as follows:

<p>Administration Councillor Iain Cassidy (Chair) Councillor P J Murphy Councillor Guy Vincent</p>	<p>Opposition Councillor Michael Adam Councillor Nicholas Botterill</p>
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3. REASON FOR DECISION

- 3.1. The Audit, Pensions and Standards Committee is required to approve the Pensions Sub-Committee membership on an annual basis.

4. BACKGROUND

- 4.1. The Council established the Pensions Sub-Committee to better enable the Council discharge its responsibility for the management of the Pension Fund effectively.

5. LEGAL IMPLICATIONS


- 5.1. Not applicable.

6. FINANCIAL AND RESOURCES IMPLICATIONS

- 6.1. Not applicable.

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

None.

<p align="center">London Borough of Hammersmith & Fulham AUDIT, PENSIONS AND STANDARDS COMMITTEE 15 June 2016</p>	
<p>EXTERNAL AUDIT PLAN 2015/16</p>	
<p>Report of the Strategic Finance Director</p>	
<p>Open Report</p>	
<p>Classification: For Information Key Decision: No</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Finance Director</p>	
<p>Report Author: Christopher Harris, Head of Corporate Accountancy and Capital</p>	<p>Contact Details: Tel: 020 8753 6440 E-mail: christopher.harris@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The Council's external auditor, KPMG, have provided their plan for the audit of the 2015-16 Statement of Accounts. The plan (attached at Appendix 1) describes how the auditor will deliver the financial statements audit work and also sets out their approach to value for money (VFM) work for 2015/16. The auditor will be present at the Committee to discuss this plan.
- 1.2. The audit will substantially take place during July and August 2016 and the final accounts will be presented to the Committee in September 2016.
- 1.3. The auditor has also provided an audit progress report and a technical update for the Committee's information (Appendix 2).

2. RECOMMENDATIONS

- 2.1. To note the 2015/16 Audit Plan (Appendix 1) and Progress Report and Technical Update (Appendix 2) as put forward by KPMG.

3. REASONS FOR DECISION

3.1. Not applicable.

4. EQUALITY IMPLICATIONS

4.1. Not applicable.

5. LEGAL IMPLICATIONS

5.1. Not applicable.

6. FINANCIAL AND RESOURCES IMPLICATIONS

6.1. Not applicable.

7. RISK MANAGEMENT

7.1. Not applicable

8. PROCUREMENT AND IT STRATEGY IMPLICATIONS

8.1. Not applicable.

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

None.

LIST OF APPENDICES:

Appendix 1 – KPMG External Audit Plan 2015/16

Appendix 2 – KPMG Audit Progress Report and Technical Update



External Audit Plan 2015/2016

Page 15

London Borough of Hammersmith and Fulham and
Hammersmith and Fulham Pension Fund

March 2016

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has set at £12 million for the Authority and £17 million for the Pension Fund.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £600k for the Authority and £850k for the Pension Fund.

Page 16

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Fraudulent Revenue Recognition
- Valuation of Property, Plant and Equipment
- Managed Services implementation

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Cash
- Payroll and Non-Payroll Expenditure
- Accounting for Pension Costs and Liabilities
- Business rates and Council tax income
- HRA rental income and repairs & maintenance expenditure
- Housing benefits expenditure
- Pension Fund Investments (PF)

Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment is ongoing and we will report VFM significant risks during our audit.

See pages 8 to 10 for more details.

Logistics



Our team is:

- Andy Sayers – Partner
- Jenny Townsend – Senior Manager
- Antony Smith – Pension Fund Manager
- Sarah McKean – Assistant Manager

More details are on **page 13**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 12**.

Our fee for the audit is £163,950 (£216,000 2014/2015) for the Authority and £21,000 (£21,000 2014/15) for the Pension Fund see **page 11**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16.



Financial Statements Audit Planning

Our planning work takes place during January to March 2016. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Valuation of Property, Plant, and Equipment (PPE)

- Risk: As at 31 March 2015 the value of the Council's PPE was £1,667million. Local authorities exercise judgement in determining the fair value of different classes of assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. The Council is responsible for ensuring that the valuation of PPE is appropriate at each financial year end and for conducting impairment reviews that confirm the condition of these assets. We have assessed that the inherent uncertainty in valuation and high value of assets held by the Council creates a significant risk to the financial statements for 2015/16.
- Approach: We will:
 - review management's assessment of property valuations and impairment calculations;
 - confirm the information provided to the valuer from the Authority;
 - compare the assumptions made by your valuer to benchmarks and to the assumptions used for 2014/15 for consistency;
 - complete testing over new capital additions in year to confirm appropriately capitalised and that Council ownership is evidenced; and
 - review disposals made in year and confirm appropriate removal from the PPE balance in 2015/16.

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Managed Services

- Risk: The Tri-borough councils implemented a new financial system on 1 April 2015 through a managed service partnership with BT. There have been a number of difficulties with the implementation which gives rise to a significant risk over the completeness of the balances in the financial statements. The difficulties we are aware of during the first part of 2015/16 include:
 - reconciliations not being carried out in a timely manner and a large number of unreconciled items in the income and cash balances;
 - expenditure payments to suppliers not being made in a timely manner and payments being made via a manual workaround in a number of cases in the early part of the year;
 - some income received by the Council is unallocated and being held in a suspense account; and
 - not all employees were routinely paid each month through initial payroll runs, although any errors were quickly rectified.

The Council is managing the service problems and is in regular contact with BT, including finance officers visiting the BT office regularly. In addition the Council has brought in additional resources to support the year end processes. Improvements were made to the transactional processing during the course of the year but there remains a risk to the audit opinion. Throughout the year we have been liaising with management to gain an understanding of the difficulties being encountered, the actions being taken to mitigate the impact and the progress in resolving the issues.

Approach: We will:

- review the testing carried out by the finance team to gain assurance over the accuracy of transactions being made by BT;
- review the Internal Audit work completed; and
- carry out substantive testing over material balances in the financial statements. As a result of the implementation of managed services we have reduced our performance materiality to 50% which will result in increased sample sizes.



Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Housing Benefits Expenditure

- Issue: Housing benefits is area of audit focus due to the size of the figures (£187m in 2014/15) and the degree of complexity inherent in the calculation of benefit payable.
- Approach: We will gain an understanding over controls related to housing benefits expenditure; test the operating effectiveness of relevant controls; complete substantive analytical review of rent rebates and rent allowances; and reconcile expenditure to the subsidy claim form.

Business rates income

- Issue: NDR is material (£197m in 2014/15), has complexity in the translation from Collection Fund into Council prime statements and a degree of judgment underlying the NDR appeals provision.
- Approach: We will gain an understanding over controls related to business rates income; test the operating effectiveness of relevant controls; complete substantive analytical review of income; and agree precepts to underlying documentation. We will also consider the basis of the appeals provision.

Council tax income

- Issue: Council tax is a material income stream for the Authority (£76m in 2014/15) and there is complexity surrounding the translation from Collection Fund into Council primary statements.
- Approach: We will gain an understanding over controls related to Council tax income; test the operating effectiveness of relevant controls; complete substantive analytical review of income; and agree precepts to underlying documentation.

HRA Rental Income

- Issue: HRA dwelling rental income is an area of audit focus due to the material size (£67m in 2014/15).
- Approach: We will gain an understanding over controls related to HRA rental income; test the operating effectiveness of relevant controls; and complete substantive analytical review of dwelling rent income and reconcile HRA amounts to the Authority's CIES.

HRA Repairs and Maintenance and Management Expenditure

- Issue: HRA expenditure over repairs & maintenance and supervision & management is an area of audit focus due to the material size (£14m and £20m in 2014/15, respectively).
- Approach: We will gain an understanding over controls related to HRA expenditures; test the operating effectiveness of relevant controls; and complete substantive analytical review of expenditures. We will also link to our work over payroll and non-payroll expenditure.

Pension Fund Investments (PF only)

- Issue: The value of pension fund investment assets totalling £849m at 31 March 2015 is a material item in your financial statements, which can involve an element of judgment and uncertainty.
- Approach: We will review the valuation of the Pension Fund investments, including the unlisted investments, and consider the independent assurance that is available in respect of the valuation processes and valuations of funds. We shall also review the disclosure notes in the light of relevant requirements



Other areas of audit focus (continued)

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Accounting for pension assets and liabilities

- Issue: Pension valuations require a significant level of expertise, judgement and estimation and are therefore more susceptible to error. This is also a very complex accounting area increasing the risk of misstatement.
- Approach: We will confirm the information provided to the actuary from the Authority; review the actuarial valuation and consider the disclosure implications; and consider the assumptions made by your actuaries to benchmarks, which are collated by our KPMG actuaries, and to the assumptions used for 2014/15 for consistency.

Non-Payroll Expenditure

- Issue: Non-payroll expenditure, specifically the accounts payable component, is an area of audit focus due to its pervasive impact on the financial statements and size. This is also an area impacted by Managed Services.
- Approach: We will perform substantive tests of details to agree expenditures to third party documentation and cut-off testing of non-payroll expenditure to ensure costs are recorded in the correct period.

Payroll

- Issue: Payroll represents a significant proportion of the Authority's annual expenditure. Whilst not considered overly complex from a material error perspective, we consider that it is important from an audit perspective to understand the nature of the Authority's expenditure in this area. This is also an area impacted by Managed Services.
- Approach: We will review and test reconciliations for gross pay and deductions (e.g. pensions, tax and national insurance); and complete substantive analytical review of payroll costs and test supporting system information used to compile the review.

Cash

- Issue: Cash has a pervasive impact on the financial statements and provides comfort for other areas of the financial statements. This is also an area impacted by Managed Services.
- Approach: We will review controls over bank reconciliations; and confirm balances with external third parties.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £12 million which equates to two percent of gross expenditure.

For the Pension Fund, materiality for planning purposes has been set at £17 million.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit, Pensions and Standards Committee

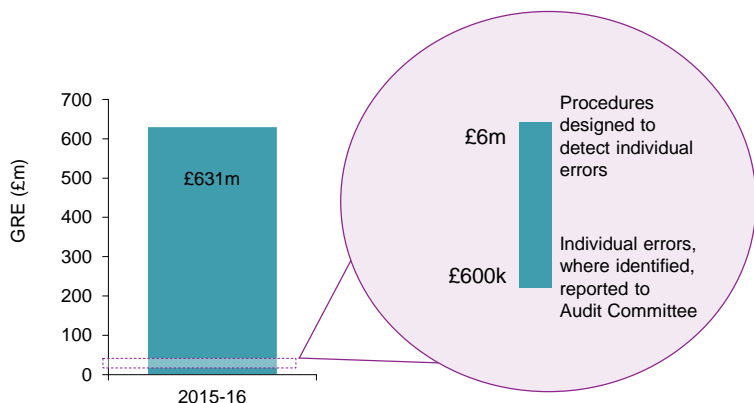
Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Pensions and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £600k.

In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £850k.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Pensions and Standards Committee to assist it in fulfilling its governance responsibilities.

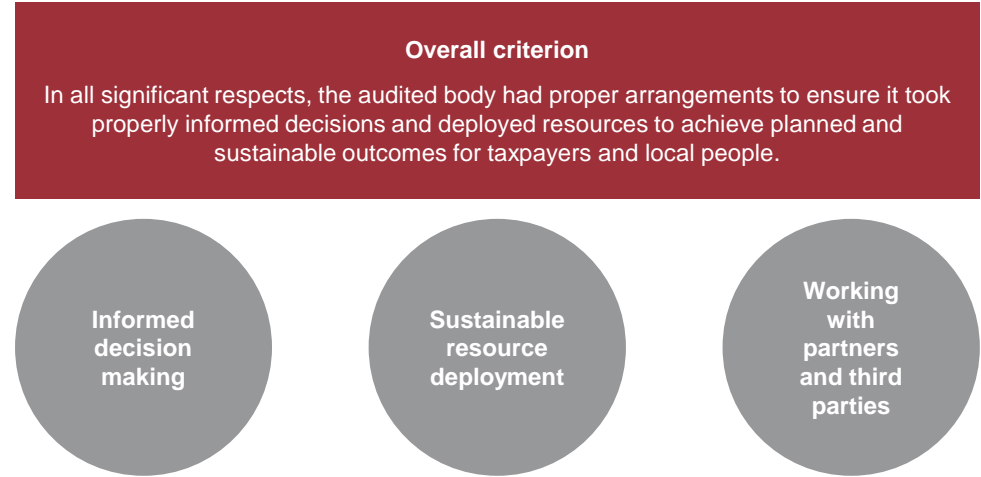


Background to approach to VFM work

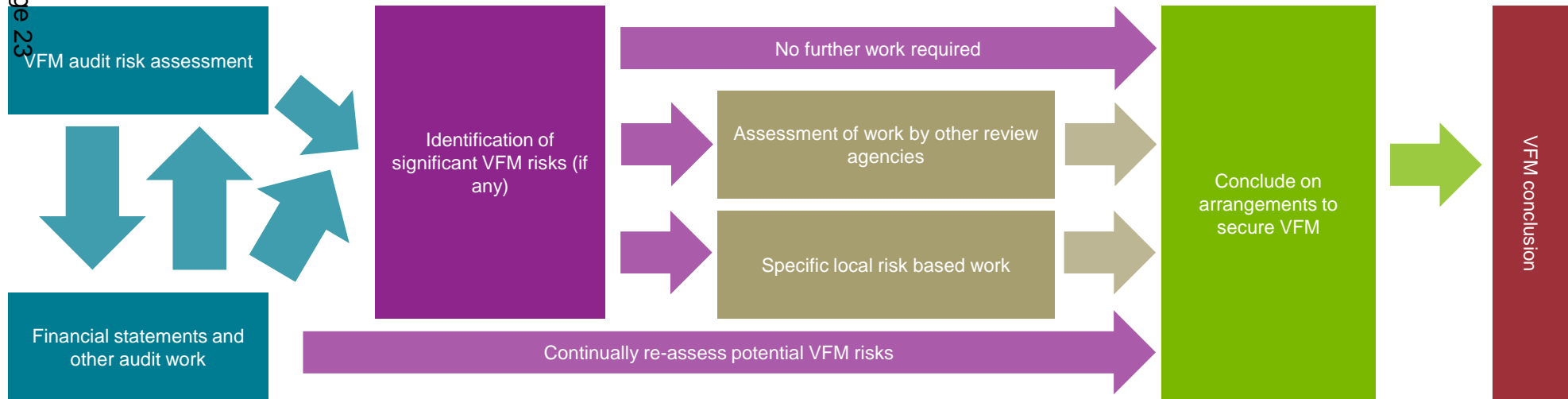
The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.



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VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

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VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Page 2

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and

■ The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Andrew Sayers. We have this year added Jennifer Townsend as your Senior Manager and your Assistant Manager will again be Sarah McKean. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit, Pensions, and Standards Committee. Our communication outputs are included in Appendix 1.

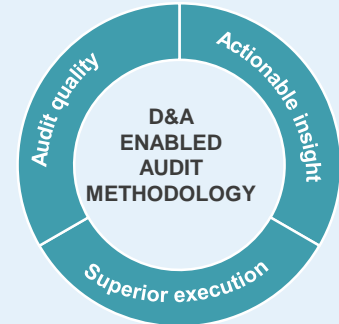
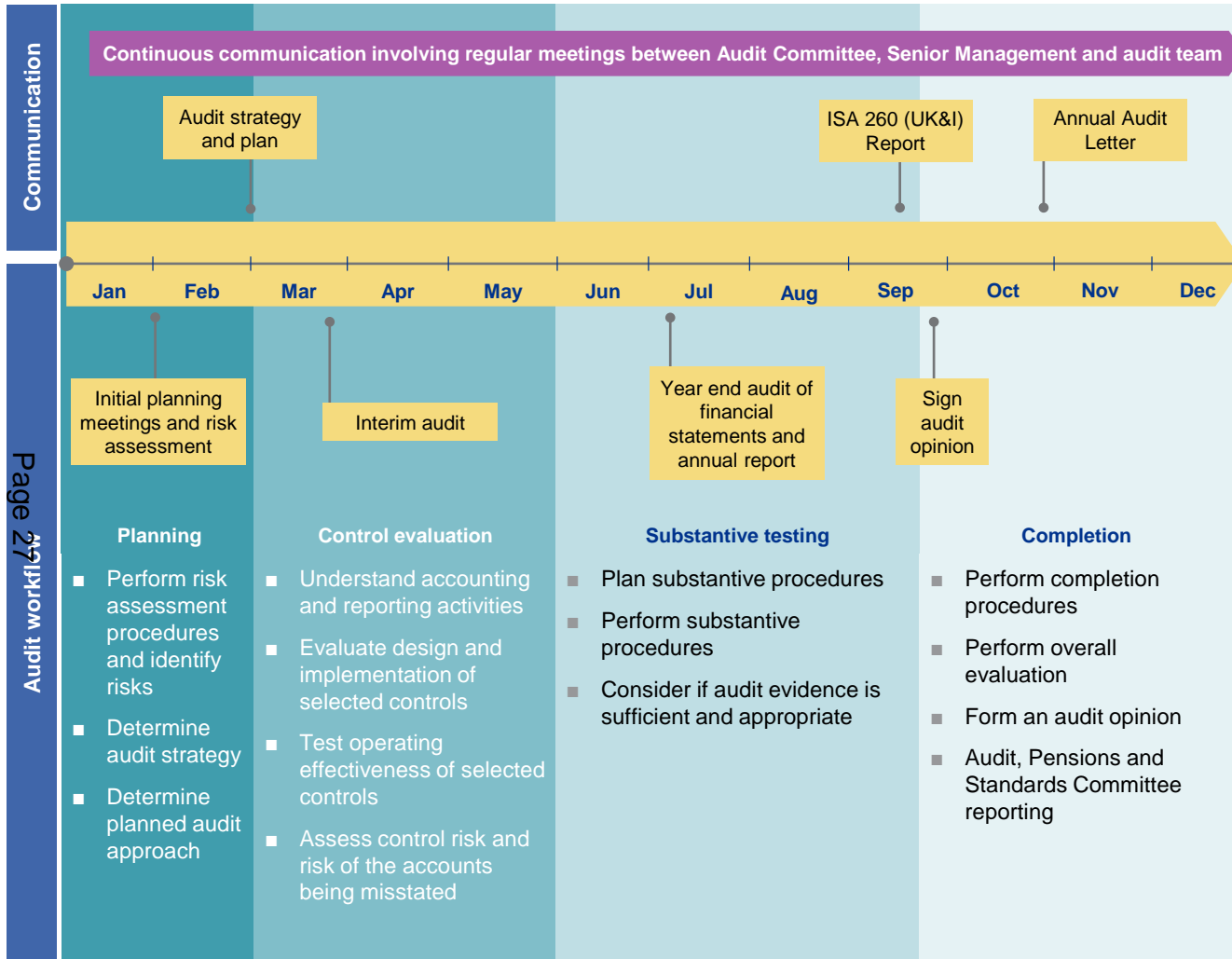
Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £163,950. This is a 25% reduction in audit fee, compared to the 2014/2015 of £216,000. The planned audit fee for 2015/16 is £21,000 for the Pension Fund. (2014/15 £21,000).



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals.



Your audit team has been drawn from our specialist public sector assurance department. Our audit team is detailed below. We have introduced your new Senior Manager, Jennifer Townsend and Pension Fund Manager Antony Smith, with Andrew and Sarah returning from the prior year.



Name	Andrew Sayers
Position	Partner/Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit, Pensions, and Standards Committee and Executive Directors.'</p>

Andy Sayers

Partner

+ 44 [0]207 694 8981

andrew.sayers@kpmg.co.uk



Name	Jennifer Townsend
Position	Senior Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Andrew to ensure we add value.</p> <p>I will liaise with the Strategic Finance Director and other Executive Directors.'</p>

Jennifer Townsend

Senior Manager

+ 44 [0]207 311 1368

jennifer.townsend@kpmg.co.uk



Name	Antony Smith
Position	Manager
	<p>'My role is to lead our Pension Fund team and ensure the delivery of a high quality, pension fund audit'.</p>

Antony Smith

Manager

+ 44 [0]207 311 2355

antony.smith@kpmg.co.uk



Name	Sarah McKean
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Sarah McKean

Assistant Manager

+ 44 [0] 77 8538 1142

sarah.mckean@kpmg.co.uk

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit, Pensions, and Standards Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of **10 March 2016** in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact [...], the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



cutting through complexity

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External audit progress report and technical update

**London Borough of
Hammersmith & Fulham**

15 June 2016

This document provides the Audit, Pensions and Standards Committee with a high level overview on progress in delivering our responsibilities as your external auditors.

Status:

We have:

- Prepared our draft external audit plan and discussed this with officers. The plan is attached for the Committee to discuss;
- Held our interim financial statements audit and commenced our work on the Value for Money assessment;
- Issued our prepared by client request. This details those documents that we require from the Authority to support the audit of the financial statements; and
- Prepared our technical update.

Work to be completed over the next quarter:


In advance of the September Audit, Pensions and Standards Committee we will:

- Complete the financial statements audit
- Complete our value for money assessment;
- Commence our 2015/16 grant claim audits of: Housing Benefits, Capital Receipts and Teachers Pensions; and
- Commence our 2015/16 audits of your subsidiaries: Wormwood Scrubs Charitable Trust and Hammersmith & Fulham Housing Development Limited.

Actions arising from this report

We ask the Audit, Pensions and Standards Committee to:

- DISCUSS our audit plan;
- NOTE this progress report; and
- NOTE the technical update.

Area	Level of impact	Comments	KPMG perspective
New local audit framework Page 33	 Medium	<p>The Local Audit and Accountability Act 2014 included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.</p> <p>DCLG have now announced that the audit contracts for large local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors; it is not yet clear whether there will be a sector-led body that is able to undertake this role on behalf of bodies.</p> <p>CIPFA have now issued guidance that was commissioned by DCLG on the creation of Auditor Panels. The guidance is available at www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf The guidance provides options on establishing an Auditor Panel, and the roles and responsibilities the panels will have once established.</p> <p>NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies.</p>	<p><i>The Committee may wish to review the CIPFA guidance and begin initial discussions with colleagues about the approach the Authority may wish to adopt.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Accounts and Audit Regulations 2015 – Narrative statements</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 34</p>	<p>● Low</p>	<p>Authorities will need to be aware that the <i>Accounts and Audit Regulations 2015</i> require local authorities to produce and publish a narrative statement. Section 8 of the Regulations, which apply first from the 2015/16 financial year, states:</p> <p><i>Narrative statements</i></p> <ol style="list-style-type: none"> 1) A Category 1 authority must prepare a narrative statement in accordance with paragraph (2) in respect of each financial year. 2) A narrative statement prepared under paragraph (1) must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. <p>Authorities will need to publish the narrative statement along with the financial statements. The narrative statement does not form part of the financial statements and is therefore not subject to audit. As part of their audit work however, auditors will need to review the statement for consistency with their knowledge.</p> <p>The narrative statement replaces the explanatory foreword and will need to be prepared in accordance with CIPFA/LASAAC's <i>Code of Practice on Local Authority Accounting</i> (the accounting code). The 2016/17 accounting code will contain high level principles for authorities to follow when preparing their narrative statements. The principles set out in the accounting code will also be relevant to 2015/16 and we understand that CIPFA/LASAAC is likely to publish an update to the 2015/16 accounting code to clarify this.</p>	<p><i>The Committee may wish to seek assurances that their authorities have arrangements in place to meet the new requirements.</i></p>
<p>DCLG consultation on pension fund investment reform</p>	<p>● Low</p>	<p>The Department for Communities and Local Government (DCLG) has recently closed a consultation on revised regulations for the investment of local government pension scheme assets. The proposed regulations include the proposal to allow pension schemes to pool assets for investment purposes.</p> <p>The revised regulations can be found here at www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance</p> <p>The outcome of the consultation will be published here: https://www.gov.uk/government/consultations/revoking-and-replacing-the-local-government-pension-scheme</p>	<p><i>The Committee may wish to enquire of officers whether their Authority responded to the consultation and the views expressed.</i></p>

Area	Level of Impact	Comments	KPMG perspective
Accounts and Audit Regulations 2015 – Exercise of public rights	<p style="text-align: center;">● Low</p>	<p>Authorities will be aware that the Accounts and Audit Regulations 2015 (the Regulations) set out new arrangements for the exercise of public rights from 2015/16 onwards.</p> <p>Paragraph 9(1) of the Regulations requires the responsible financial officer to commence the period for the exercise of public rights and to notify the local auditor of the date on which that period was commenced.</p> <p>Paragraph 9(2) is clear that the final approval of the statement of accounts by the authority prior to publication cannot take place <i>until after the conclusion of the period for the exercise of public rights</i>.</p> <p>As the thirty working day period for the exercise of public rights must include the first ten working days of July, this means that authorities will not be able to approve their audited accounts or publish before 15 July 2016.</p>	<p><i>We have received notification from the authority. This is compliant with the requirements.</i></p>
CIPFA briefings on accounting for highways infrastructure assets	<p style="text-align: center;">● Low</p>	<p>CIPFA has published the first of a series of briefings on highways infrastructure assets.</p> <p>The first briefing focuses on the decisions made by CIPFA/LASAAC Local Authority Accounting Board following its consultation on the <i>Code of Practice on Local Authority Accounting in the United Kingdom 2016/17</i>. The briefing also covers the applicability of the measurement requirements for district councils and the resources available to support the implementation process. In particular the briefing notes:</p> <ul style="list-style-type: none"> ■ the change to recognising the assets using the depreciated replacement cost approach will be prospective, so will not require the 2015/16 accounts to be restated; and ■ district councils are unlikely to meet the definition of having a single highways network asset, although they will need to reach their own view on this. <p>The first briefing can be found at www.cipfa.org/~media/files/policy%20and%20guidance/local%20authority%20transport%20infrastructure/finance%20briefing%20hna%20no%201.pdf?la=en</p>	<p><i>The Committee may wish to seek assurances how their Authority is progressing with the new requirements.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Consultation on 2016/17 audit work programme and scales of fees</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 36</p>	<p style="text-align: center;">● Low</p>	<p>Public Sector Audit Appointments Ltd (PSAA) published its consultation on the 2016/17 proposed work programme and scales of fees.</p> <p>The consultation set out the work that auditors will undertake at principal audited bodies for 2016/17, with the associated scales of fees. The consultation documents, and list of individual proposed scale fees, are available on the PSAA website at www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/</p> <p>There are no planned changes to the overall work programme for 2016/17. It is proposed that scale fees are set at the same level as the scale fees applicable for 2015/16, set by the Audit Commission before it closed in March 2015. The Commission reduced scale fees from 2015/16 by 25 per cent, in addition to the reduction of up to 40 per cent made from 2012/13.</p> <p>Following completion of the Audit Commission’s 2014/15 accounts, PSAA has received a payment in respect of the Audit Commission’s retained earnings.</p> <p>PSAA will redistribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established shortly.</p> <p>The work that auditors will carry out on the 2016/17 accounts will be completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.</p> <p>The consultation closed on Friday 15 January 2016. PSAA will publish the final work programme and scales of fees for 2016/17 in March 2016.</p>	<p><i>The Committee may wish to seek assurances on how their Authority have responded to the consultation.</i></p>

Area	Level of Impact	Comments	KPMG perspective
2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) – update	<p style="text-align: center;">● Low</p>	<p>CIPFA/LASAAC has issued an update to the <i>2015/16 Code of Practice on Local Authority Accounting in the United Kingdom</i> (the Code) following its consultation process. The 2015/16 Code update should be read alongside the 2015/16 Code published in April 2015.</p> <p>Authorities should note that the update confirms the transitional reporting requirements for the measurement of the Highways Network Asset. The Code does not require a change to the preceding year information for the move to measuring the Highways Network Asset at current value (and under that provision would not require a change to the balance sheet information at 1 April 2015). It also does not require a restatement of the opening 1 April 2016 information but there will need to be an adjustment to those balances.</p> <p>The Code update also includes amendments as a result of legislative changes and particularly the <i>Accounts and Audit Regulations 2015</i> for English authorities. It specifies the principles for narrative reporting which CIPFA/LASAAC considers should be used to meet the new requirements of those regulations.</p>	<p><i>The Committee may wish to seek assurances that their Authority is aware of the update to the 2015/16 Code.</i></p>
Better Care Fund policy framework 2016/17	<p style="text-align: center;">● Low</p>	<p>The Department of Health, in conjunction with the Department for Communities and Local Government, has recently published <i>2016-17 Better Care Fund planning guidance</i>.</p> <p>The guidance introduces a number of changes, requiring local clinical commissioning groups (CCGs), councils and providers to establish risk sharing arrangements to fund unplanned emergency admissions. Local areas will also have to agree to ‘stretching’ local targets for cutting delayed transfers of care supported by an action plan.</p> <p>The guidance can be found here: www.gov.uk/government/publications/better-care-fund-how-it-will-work-in-2016-to-2017</p>	<p><i>The Committee may wish to seek assurances how their Authority is developing these arrangements.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Capital receipts flexibility</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 38</p>	<p>● Low</p>	<p>The 2015 Spending Review included an announcement that local authorities would be able to use capital receipts on the revenue costs of service reform projects. The Department for Communities and Local Government (DCLG) has now issued guidance on the capital receipts flexibility, including a draft direction setting out the types of project that would qualify and expected governance and transparency framework. In summary:</p> <ul style="list-style-type: none"> ■ the flexibility is available from 1 April 2016 to 31 March 2019; ■ only capital receipts generated during that period can be used for the flexibility; ■ the Secretary of State’s direction will have the effect of allowing authorities to treat revenue expenditure on service reform as capital during the three year period; ■ authorities will not be allowed to borrow to fund revenue expenditure on service reform; and ■ authorities are required to have regard to a statutory code which contains certain transparency requirements when taking advantage of the flexibility. <p>We understand that DCLG’s aim is that the final signed direction will be issued with the final settlement in February 2016.</p> <p>A copy of the draft guidance can be found at www.gov.uk/government/uploads/system/uploads/attachment_data/file/486999/Capital_receipts_flexibility_-_draft_statutory_guidance_and_direction.pdf</p>	<p><i>The Committee may wish to seek assurances how their Authority is planning to use the new flexibility.</i></p>

Area	Level of Impact	Comments
PSAA update – VFM profiles March 2016 release	● For Information	<p>Public Sector Audit Appointments Ltd (PSAA) updated its Value for Money Profiles Tool (VFM profiles) on 3 February 2016.</p> <p>The VFM profiles have been updated with the 2014-15 data sourced from the Department for Communities and Local Government – General Fund Revenue Outturn Budget (RO). The values are adjusted with gross domestic product (GDP) deflators from HM Treasury's publication in November 2015. The profiles can be accessed through the PSAA website at www.psa.co.uk/</p>
Joint report by CIPFA and HFMA: The Better Care Fund – six months on	● For Information	<p>Authorities may wish to be aware of a recent joint report by CIPFA and the Healthcare Financial Management Association (HFMA) examining the progress that has been made six months into the implementation of Better Care Fund arrangements.</p> <p>The report is based on the results of an HFMA and CIPFA joint finance staff survey of NHS bodies and local authorities representing almost a third of BCF sites.</p> <p>The report can be found on the CIPFA website at www.cipfa.org/about-cipfa/press-office/latest-press-releases/better-care-fund-struggling-with-red-tape</p>
Care Act first-phase reforms – local experience of implementation	● For Information	<p>This report has been published by the National Audit Office and complements its earlier report on central government's approach to the Care Act first-phase reforms.</p> <p>This further report provides examples from local case study areas which show how different authorities are addressing risks arising from uncertainty in demand from carers and self-funders.</p> <p>The report was published on 3 August and is available from the NAO website at www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/</p>

Area	Level of Impact	Comments
<p>Greater Manchester Combined Authority</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 40</p>	<p>● For Information</p>	<p>Greater Manchester Combined Authority (GMCA) has pioneered the concept of local devolution within England. ‘Devo Manc’ encompasses a broad range of proposals to address the challenges and opportunities GM is facing:</p> <p>Health and Social Care</p> <p>Greater Manchester is facing an estimated financial deficit of c. £2 billion by 2020/21. A Memorandum of Understanding was signed in February 2015 between all partners in GM, committing the region to produce a comprehensive Strategic and sustainable Plan for health and social care.</p> <p>As part of the Plan, GM is seeking to use its share of the £8 billion promised to the NHS in the CSR to support new recurrent costs and protect social care budgets, closing over a quarter of the funding gap. A further investment by the partners of £500 million, phased over three years, will release future recurrent savings with a likely payback of £3 for every £1 invested.</p> <p>GM proposals</p> <p>In addition, GM has made a number of proposals to reform the way public services work together and deliver services within the region:</p> <ul style="list-style-type: none"> ■ Investment in transport infrastructure ■ New funding mechanisms to support site remediation and infrastructure provision ■ Making better use of Social Housing Assets to support growth ■ Locally led low carbon ■ A scaled-up GM Reform Investment Fund ■ Devolution of decision making for apprenticeships and training, and reform to careers advice and guidance ■ Fundamental review of the way services to children are delivered ■ Research and innovation funding ■ Investment in integrated business support to drive growth and productivity ■ Reform of the New Homes Bonus ■ Further employment and skills reform ■ GM approach to data sharing across public agencies ■ Fiscal devolution, including reform to Business Rates, Council Tax, Stamp Duty Land Tax and a Hotel Bed Tax <p>All of these proposals involve joint working, not just with other GM agencies, but also central government departments. This allows the existing financial resources provided to the region to be redeployed more efficiently to maximise the benefits to GM.</p>


Area	Level of Impact	Comments
<p>Proposed changes to business rates and core grant</p> <p>Page 41</p>	<p>● For Information</p>	<p>The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.</p> <p>The Chancellor set out the landmark changes in a speech to the Conservative party conference in Manchester, saying it was time to face up to the fact that “the way this country is run is broken”.</p> <p>Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved, he said</p> <p>The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at £0.02 on the rate.</p> <p>The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.</p>
<p>Cities and Local Government Devolution Act 2016</p>	<p>● For Information</p>	<p>Authorities will wish to note that the Cities and Local Government Devolution Act 2016 received Royal Assent on 28 January 2016. The Act provides the enabling legislation to:</p> <ul style="list-style-type: none"> ■ allow for the election of mayors for a combined authority area; ■ allow for the devolution of functions, including transport, health, skills, planning and job support; and ■ provide a power to establish sub-national transport bodies which will advise the Government on strategic schemes and investment priorities in their own area. <p>Most of the changes under the Act, including the implementation of ‘devolution’ deals, will be implemented by Orders to be made under the Act.</p>



cutting through complexity

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<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">AUDIT PENSIONS AND STANDARDS COMMITTEE</p> <p align="center">15 JUNE 2016</p>	
<p>RIVERSIDE STUDIOS AND QUEENS WHARF</p>	
<p>Report of the Director for Planning & Development</p>	
<p>Open Report</p>	
<p>Classification: For review and comment Key Decision: No</p>	
<p>Wards Affected: Hammersmith Broadway</p>	
<p>Accountable Director: N/A</p>	
<p>Report Author: Matt Butler, Head of Policy & Spatial Planning</p>	<p>Contact Details: Tel: 020 8753 3493 E-mail: matt.butler@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This is a follow up report to one presented to the Audit, Pensions and Standards Committee on 14th December 2016 in relation to the planning permission for the redevelopment of the Riverside Studios and Queens Wharf.
- 1.2. The previous report advised Members of a funding shortfall for the full reprovision of Riverside Studios. This shortfall was despite written assurances from Riverside Studios and Mount Anvil at the planning application stage. It was on the basis of these assurances that the council effectively substituted significant numbers of affordable homes for a reprovided Riverside Studios.
- 1.3. The resolutions that came from the previous committee are now addressed in this report, these are as follows:
 1. The applicant's financial viability appraisal report and the council's assessment of the report at the planning application stage are attached at Appendix A.
 2. A schedule of the current position in relation to the planning and Section 106 obligations is found at Appendix B.
 3. Written correspondence is attached at Appendix C from Riverside Trust and Riverside Studios seeking to clarify the funding position in respect of the Riverside Studios and the Section 106 monies. The correspondence confirms

that there is a need for between £10-20 million in loan financing confirming that the £7 million Section 106 monies will not be sufficient to deliver the full extent of their community arts objectives and core operation contrary to Riverside Studios assurances at the planning application stage.

4. The Chair of the Riverside Trust has been invited to attend the committee meeting

2. RECOMMENDATIONS

That the Audit, Pensions and Standards Committee:

1. Reviews the financial viability of this scheme;
2. Considers the recent correspondence from the Riverside Trust and Riverside Studios and whether what is stated is contrary to what was committed to at the planning application stage;
3. Advises the council on what further actions to take.

3. REASONS FOR DECISION

- 3.1. The Council has an obligation to ensure that the public monies it made available to the Riverside Trust via the planning agreement is being used to deliver the community arts facility it was set aside to do.

4. INTRODUCTION AND BACKGROUND

- 4.1. This report follows a previous one presented to this committee on 14th December 2016. The previous report advised Members that there was a funding shortfall for the re-provision of the Riverside Studios facility that formed part of a planning permission granted on 22nd January 2014. The planning permission was for the redevelopment of the Queens Wharf and Riverside Studios providing 65 residential units and 8,633 sqm of commercial floor space for TV studios, theatre, cinema and other ancillary uses.
- 4.2. In August 2013, prior to the planning permission, the council resolved to sell its freehold interest of the Riverside Studios to the developer, Mount Anvil with the sale now complete.
- 4.3. Riverside Studios and Mount Anvil made assurances during the planning assessment stage that the redevelopment would fund the re-provided Riverside Studio facilities. These commitments are referenced in letters from Mount Anvil's planning consultant (Rolfe Judd) and William Burdett-Coutts on behalf of Riverside Studios. These correspondence are attached at Appendix D.
- 4.4. Members, having been advised of these commitments and the subsequent funding shortfall, resolved that officers report back to committee with further information. The full resolution is as follows:

1. That the committee be presented with the viability assessment and the Council's appraisal of that document avoiding disclosure of information that may be considered commercially sensitive.
2. That the committee be presented with a schedule of the planning and Section 106 obligations stating which have been complied with and which have not, with detail on any that may have been breached, including options for enforcement.
3. That officers seek confirmation and details on why the £7m capped figure may not be sufficient to fully fit out the new Riverside Studios space.
4. That the Chair of the Riverside Trust be invited to attend the meeting.

5. PROPOSALS AND ISSUES

Resolution 1

- 5.1 In relation to resolution 1 and the viability assessment, at the time of the planning application Mount Anvil submitted a financial viability appraisal (FVA) to support the level of Section 106 contributions and commuted payments for off-site affordable. The FVA was assessed by Strutt & Parker on behalf of the council who concluded that £3,200,000 was the maximum contribution the scheme could viably provide.
- 5.2 The viability appraisal clearly demonstrated that the scope for the council to negotiate more affordable housing was limited by the cost to the scheme of the re-provided Riverside Studios. The new facility would be transferred at nil cost to the Riverside Trust resulting in the nominal figure £408,000 for off-site affordable housing.
- 5.3 Importantly, it was reported previously to this committee that based on cost and revenue figures at the time, an alternative arts and leisure facility which contributed a revenue stream to the scheme's viability, could have generated sufficient return to fund 40% affordable housing on site. Or alternatively, a commuted sum payment of approximately £25,000,000 for off-site provision which could potentially provide up to 122 social rent homes off site.
- 5.4 At committee in December, Members requested a copy of the financial viability assessment to be made available and this is attached for Members attention at Appendix A.

Resolution 2

- 5.5 Turning to Resolution 2, the Riverside Studios and Queens Wharf planning permission was granted on 22nd January 2014 and was subject to a section 106 legal agreement and planning conditions.
- 5.6 Committee Members requested a schedule of the conditions and Section 106 obligations. Appendix B to this report presents those schedules.

Planning conditions

5.7 A total of 71 planning conditions were attached to the permission and Table 1 below sets out the triggers for the submission all the conditions and the condition tracker in Appendix B sets out the details of each condition.

5.8 Table 1: Condition triggers

	Total	Submitted	Discharged	Outstanding
Prior to demolition	3	3	3	0
Prior to commencement of development	26	26	26	0
On completion of bulk excavation works	2	2	0	2
Prior to commencement/installation of relevant part	11	10	8	3
Within 6 months of commencement	2	2	0	2
Prior to first occupation	3	2	1	2
Compliance	24	N/A	N/A	N/A

5.9 There are currently six conditions pending determination which are due to be determined within the next two-three weeks and three conditions left to submit which all have 'prior to commencement of the relevant part' of 'prior to occupation' triggers. At the time of this report there do not appear to any breaches of planning permission in relation to planning conditions.

S106 Obligations

5.10 The financial section 106 obligations are attached to this report in Appendix B. The table shows that all payments due on commencement have been paid and that the outstanding payments are due on occupation. The estimated occupation date for the first residential phase is April 2017.

5.11 The non-financial section 106 obligations are attached to this report in Appendix B. The table shows that section 106 obligations which require discharge prior to or within a certain period of commencement have been discharged. The Travel Plan and Servicing and Delivery Plan are required prior to the occupation of the development and Mount Anvil have confirmed that they are aiming to submit the plans as soon as possible.

Resolution 3

5.12 In respect of Resolution 3, since the December committee, officers have requested on numerous occasions confirmation and details as to why the section 106 £7 million allocated for fitting out the new Riverside Studios may not be sufficient. Riverside Trust initially raised the problem of the funding gap when they requested a meeting with the council shortly after planning permission had been granted.

- 5.13 Members and officers were extremely disappointed to hear of the funding gap especially given the written assurances provided at the application stage (Appendix D) and the flexibility exercised by the council in forgoing a significant number of affordable homes to allow for the re-provision of Riverside Studios.
- 5.14 Sir Christopher Powell (Chair, Riverside Trust) and William Burdett-Coutts (Artistic Director, Riverside Studios) have now written to the council on this matter. Chris Powell's letter is dated 10th March 2016 and William Burdett-Coutts letter 25th May 2016, both are attached in Appendix C.
- 5.15 Chris Powell's letter on behalf of Riverside Trust letter states that their main objective is to deliver a community arts facility but that they were not party to the agreements that the council entered into with Mount Anvil (4th and 5th paragraphs). The letter describes the new lease arrangements with Mount Anvil and cash contribution to enable them to re-open in 2018 (Point 1).
- 5.16 There is acknowledgement in the letter, however, that the Section 106 cash contribution will not be sufficient:
- "...in itself will not be sufficient to deliver the full extent of our community arts objectives..."* (Chris Powell, Point 1)
- 5.17 Chris Powell also goes on to state that the Riverside Trust were not party to the assurances given at the planning application stage (Point 1). The letter then describes the future vision of the Riverside Studios as a community arts centre and to develop a world class National Digital Hub explaining the financial implications of this:
- "This will require significant investment in fit out of the building and in digital technology. Our business plan requires us to obtain a bank facility to deliver our core operation."* (Point 2)
- "Our business plan has always been structured on the requirement of bank debt and fundraising and shows this requirements of between £10-20m."* (Point 3)
- 5.18 Chris Powell then suggests that the previous officer report was misleading in suggesting public funds from the council had supported the Riverside Trust through the planning application (Point 4). Finally, he reiterates that the Trust were not involved in the discussions between the council and Mount Anvil (Point 5).
- 5.19 The Riverside Studios letter from William Burdett-Coutts attempts to address in turn the four resolutions from the previous committee on 14th December. Mr Burdett-Coutts explains that the viability assessment is the responsibility of Mount Anvil; that the terms of the Section 106 are being met or currently resolved; and that it had:
- "always been our expectation that the amount we received from Mount Anvil would only meet the initial requirement and that bank debt and funding would be required"* (Appendix C)

- 5.20 The letter cross references Chris Powell's letter, and finally, he confirms that the Chair of the Riverside Trust intends to attend the committee meeting on 15th June.
- 5.21 It would appear, therefore, that in trying to address the fundamental question of why the Section 106, £7 million is not sufficient to fully re-provide the Riverside Studios facility, Riverside Trust and Riverside Studios claim that this was always the expectation.
- 5.22 Officers acknowledge that during the planning application assessment, Riverside Studios had advised of the likely need for additional funding for some elements of fitting out. However, they were always very clear in their commitment that the planning application with the £7 million Section 106 would fund and deliver a re-provided facility including studio, theatre and cinema. This is detailed in correspondence found in Appendix D.
- 5.23 The Riverside Trust letter from Chris Powell now references a very large funding requirement of between £10-20 million to enable them to provide their "core operation". It is understood that this is required in part for the cinema element.
- 5.24 Riverside Trust and Riverside Studios correspondence, therefore, fail to provide any assurance of the full re-provision of the facility and in fact add more doubt with Chris Powell's letter advising that a bank facility was required to:
- "deliver our core operation"* (Chris Powell letter, Point 2)
- 5.25 This is far removed from the written assurances provided by William Burdett-Coutts at the planning application stage (Appendix D).
- 5.26 The Riverside Studios are being provided with much larger studio spaces than before, with new and enhanced restaurant, cafes, bar and office facilities. They also reference developing a world class National Digital Hub which will require significant investment. Officers are concerned, therefore, that investment in these areas may be at the expense of first delivering their "core operation" which they clearly committed to at the planning application stage.
- 5.27 It is also misleading that the Riverside Trust now claim that they were not party to the agreements and discussions with the council and Mount Anvil at the planning application stage. Also, that no public funds have effectively been given to Riverside Trust.
- 5.28 Riverside Trust are in fact signatories to the S106 legal agreement accompanying the planning application along with Mount Anvil and Dominion Developments Ltd. Officers also met with William Burdett-Coutts and Guy Hornsby of Riverside Studios to discuss the planning application where they described to officers how a modern and enlarged facility would be re-provided as part of the planning application. At no stage was any doubt expressed about the "core operations" being delivered.
- 5.29 Chris Powell, in his letter acknowledges that Riverside Trust initiated the relationship with Mount Anvil that led to their working with A2 Dominion and the council (page 3, 2nd paragraph). Officers would expect Riverside Trust to have

been well aware of the key elements of the financial arrangements between the parties and the millions of pounds of public funds in the form of planning gain that was effectively being substituted as a subsidy to Riverside Studios to enable the funding of their new and enlarged facility.

- 5.30 In summary, therefore, it is again extremely disappointing that Riverside Trust have not been able to provide any reasonable explanation as to why the funding through the redevelopment scheme will not, 'deliver the full extent of their community arts objectives' and that a bank facility will be required to, 'deliver their core operation'.
- 5.31 Riverside Trust has failed to provide any comfort to the council that a re-provided Riverside Studios will be financed through the planning permission and delivered in a timely fashion as was assured at the planning application stage.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1 N/A

7. CONSULTATION

- 7.1 Not applicable as the report summarises a planning permission and land sale that have already been undertaken.

8. EQUALITY IMPLICATIONS

- 8.1 Equality Impact Assessment is not required to accompany this report because the officer planning report to committee was accompanied by Equality Impact Assessments. However, the failure of the scheme to provide a new cinema or other community facilities would detrimentally impact on the public's access to local and fully accessible cinema and community facilities

9. LEGAL IMPLICATIONS

- 9.1 There are planning obligations attached to the planning permission which the council could seek to enforce against in circumstances where they consider a breach has occurred.
- 9.2 The developer, however, will also have recourse to appeal in the event of any enforcement action and may seek to discharge or vary the planning obligations.
- 9.3 Report reviewed by Adesuwa Omoregie, Lawyer (Planning, Highways and Licensing). 020 8753 2297

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1 The financial implications for the scheme are set out in the body of the report. There are no direct cost or income implications to the Council arising from the recommendations in this report.

10.2 Report reviewed by Mark Jones, Director of Finance and Resources 020 8753 6700.

11. IMPLICATIONS FOR BUSINESS

11.1 A partly implemented scheme will hinder the opportunities for job creation and economic regeneration including:

- i. Arts and culture supply chain negatively impacted by possible loss of only borough arts film theatre.
- ii. Diminished 'cultural quarter' with decreased visitor appeal.
- iii. Drop in visitor numbers to development and river reduces consumer and visitor spend at the studios and with local businesses; keeping money and jobs in the borough.
- iv. Weakened location magnet for further business investment and growth in this area.
- v. Potential loss of reputation as the Borough that supports the Arts.

12. RISK MANAGEMENT

12.1 N/A

13. PROCUREMENT AND IT STRATEGY IMPLICATIONS

13.1 N/A

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

None.

PRIVATE AND CONFIDENTIAL

Riverside Studios and Queen's Wharf , Hammersmith, W6

Review of Viability Assessment

November 2013

**STRUTT
& PARKER**

Riverside Studios and Queen's Wharf

Review of Viability Assessment

This report has been prepared by the London Residential Development and Investment Department of Strutt & Parker LLP for:

London Borough of Hammersmith and Fulham

It is a review of the financial viability assessment prepared for the above site by:

Affordable Housing Solutions

1. EXECUTIVE SUMMARY

- 1.1 Strutt & Parker have been instructed by the London Borough of Hammersmith and Fulham (LHBF) to carry out a review of the viability assessment provided by the Applicant's advisor as part of the planning application for redevelopment of the Riverside Studios and Queen's Wharf sites.
- 1.2 The planning application was submitted on behalf of Mount Anvil (the 'Applicant').
- 1.3 The viability assessment on behalf of the Applicant has been undertaken by Affordable Housing Solutions (AHS).
- 1.4 The planning application being assessed is for the:

The demolition of the existing buildings and the redevelopment of the site via a comprehensive proposal comprising the erection of a six to eight storey building with balconies and roof terraces and the provision of 165 residential units and 8,633sqm of commercial floor space for television and film recording studios, storage, dressing rooms, offices, theatre, cinema and other facilities ancillary to those uses including café, restaurant bar and other uses for the sale of food and drink, together with car and cycle parking, storage and plant space and the creation of a riverside walk along the River Thames.

- 1.5 The proposed scheme provides no affordable housing on-site and no off-site contribution. A payment in lieu of £230,000 is offered.
- 1.6 Strutt & Parker initially reviewed the information provided by AHS and concluded that several assumptions required further consideration including: private sales values and the Site Value Benchmark (SVB).
- 1.7 Further consideration was given by the Applicant to the SVB and a revised AUV scheme was submitted.
- 1.8 Our appraisals demonstrate that on the basis of an SVB of £33.5m (RLV of AUV scheme) the proposed scheme with provision of bespoke space for Riverside Studios as well as the assumed S.106, CIL and PIL contributions cannot viably provide a further contribution towards affordable housing.

2. INTRODUCTION

2.1 Client Instruction

Strutt & Parker have been asked to examine the development economics of the proposed redevelopment of the Site so that the level of planning obligations can be considered. This report constitutes a review of the viability assessment prepared by Savills.

2.2 Confidentiality

This report is provided on a private and confidential basis. It is purely to assist in planning discussion with LBHF. The report contains private and confidential information provided by the Applicant.

The report must not be recited or referred to in any document, or copied or made available (in whole or in part) to any other person without our express prior written consent.

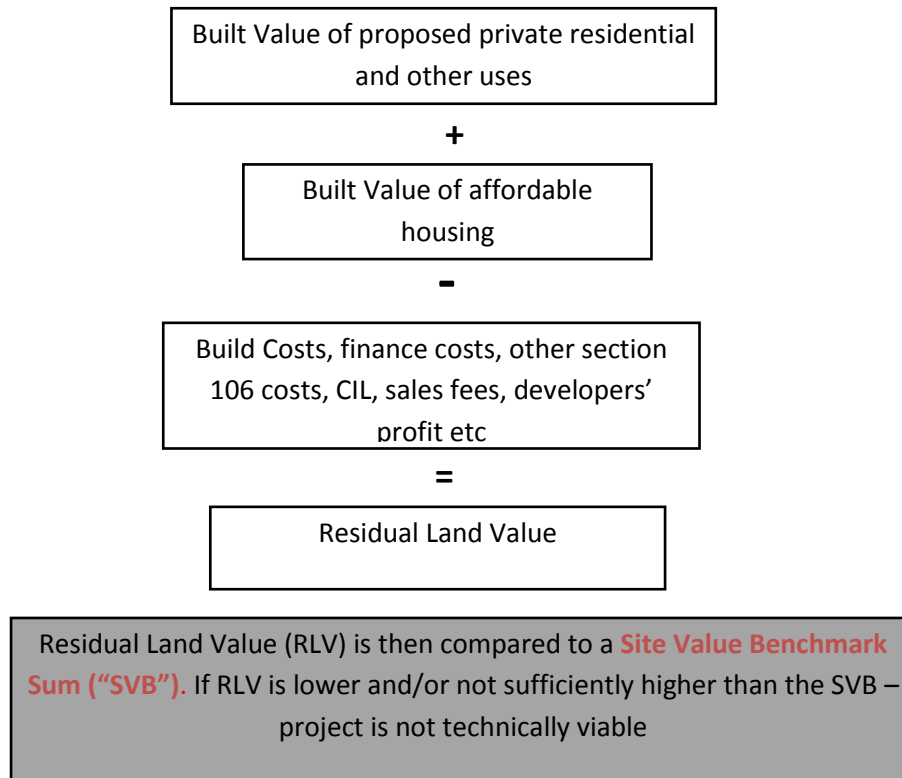
2.3 Basis of Appraisals Herein

This report has been prepared in line with RICS valuation guidance and with regard to relevant guidance on preparing financial viability assessments for planning purposes. It does not constitute a formal “Red Book” valuation and should not be relied upon as such

3. VIABILITY AND PLANNING

3.1 Scheme viability is assessed using residual valuation methodology.

3.2 A summary of the residual process is:-



3.3 If the Residual Land Value driven by a proposed scheme is reduced to significantly below an appropriate Site Value Benchmark ("SVB"), it follows that it is commercially unviable to pursue such a scheme, and that the scheme is unlikely to proceed.

3.4 The 'land residual' approach (as summarised above) can be inverted so that it becomes a 'profit residual' based upon the insertion of a specific land cost/value (equivalent to the viability benchmark sum) at the top. By doing this, the focus is moved onto the level of profit driven by a scheme. This is a purely presentational alternative.

4. APPROACH

- 4.1 The viability assessment provided by AHS follows local and national guidance on these matters including:
- National Planning Policy Framework “NPPF
 - The 2012 GLA Toolkit Guidance Notes, and;
 - ‘Viability Testing Local Plans’ – Advice for Planning Practitioners – Local Housing Delivery Group – June 2012, and;
 - ‘Financial Viability in Planning’ – RICS – August 2012.
- 4.2 AHS submitted a report wherein the main viability appraisals were undertaken on the GLA Development Control Model 2012. Although a useful tool for examining small scale schemes with short development periods we have found in the past that the GLA model is not always of sufficient complexity to allow it to properly appraise a scheme with a range of commercial uses and/or a development period of over a year. As such when carrying out our review we have used Argus Developer which is a commercially recognised tool within the industry and is widely used by registered valuers when carrying out loan security valuations.
- 4.3 Strutt & Parker have examined the submitted report and supporting information in detail, made specific enquiries on a number of issues and carried out a modified appraisal (using Argus Developer) in order to advise LBHF of the validity of the assumptions, methodology and conclusions made by the Applicant.
- 4.4 The following sections examine the different elements of the scheme and the assumptions used. We have provided commentary on each section and justification for divergence of opinion where appropriate.

5. Proposed Scheme

5.1 Subject Site

5.1.1 We understand that the subject site is approximately 0.62 ha (1.5 acres) of previously developed land and is currently split into two parts, comprising:

- Queen's Wharf – an existing three/four storey building. The building is vacant having previously been used for offices and is now becoming derelict.
- Riverside Studios is an operational TV recording studio with cinema and ancillary recreational facilities including a restaurant and cafe. The studios comprise a building of two and four storeys with a basement which were converted to current use in the 1950/60s.

5.2 Surrounding area

5.2.1 The site is bounded by Crisp Road to the east, Chancellors Wharf to the south and by Queen Caroline Street and the Queen Caroline Estate to the north and east.

5.2.2 The Queen Caroline Estate is a post war development of predominately five storey residential blocks.

5.2.3 The Chancellors Wharf development is a 1980's residential complex. The blocks are a mix of 3 and 4 storey buildings comprising a mix of houses fronting Crisp Road and flats to the rear facing the River.

5.3 Existing Planning Use

5.3.1 Queens Wharf – The building is vacant and the previous use was Class B1 (offices). The building provides approximately 7,370 sqm of office floorspace (GIA) including a partial basement which comprises a car park and plant.

5.3.2 This part of the site benefits from a planning permission for the erection of a four to seven storey building comprising 81 residential units (C3) and provision of 676 sq.m of class A3 floorspace (café restaurant use) within the ground floor (GEA), car parking at basement level, cycle parking, landscaping and creation of a riverside walkway. – Planning ref 2012/01985/FUL.

- 5.3.3 We would note that 7 of the units within the extant planning permission are identified as affordable housing (DMS) within the S.106.
- 5.3.4 We understand that this part of the site is in the ownership of A2 Dominion and that they intend to implement the consented scheme in 2014 unless a comprehensive redevelopment of the two sites can be achieved.
- 5.3.5 Riverside Studios – the planning application describes the studio buildings as a non-descript manufacturing building which has been adapted over the last 100 years. However, the Applicant is keen to highlight that the studios have a long history and that the current use of the site does provide local interest and strong links with Hammersmith.
- 5.3.6 We understand that the requirements of a modern competitive facility means that the redevelopment of solely the footprint of the existing Riverside Studios is now not enough to accommodate what is required for the complex to remain competitive. As such in order for the facility to remain in the location a new premises would have to expand over a neighbouring site.
- 5.3.7 Evidently if the extant permission on the Queens Wharf site were to be implemented then the Riverside studios would need to look for alternative premises.
- 5.3.8 Hammersmith Embankment strategic site and estate regeneration area (HTC) requires the replacement of suitable accommodation for the Riverside Studios key activities in an appropriate location and 40% of new housing to be affordable as well as requirements for high quality design and increased permeability.
- 5.3.9 We also understand from the planning statement that a predominately residential use is preferred but that a small proportion of offices is not ruled out.

5.4 **Development Proposal**

- 5.4.1 The overarching objective is highlighted as ensuring the delivery and retention of Riverside Studios on the site.
- 5.4.2 The proposed scheme which this review appraises comprises the demolition of the existing structures on the site and the redevelopment of a new building comprising the Riverside Studios complex, encased within a residential development of 165 units.

5.4.3 The scheme will consist of the following elements:

- Three recording and performance studios
- Cinema
- Front of house comprising a large foyer, restaurant, arts and performance space.
- Rehearsal Space
- Back of house offices
- Restaurant and café facilities
- 165 residential units (18 studios, 33 one beds, 68 two beds and 46 three beds)
- A new podium courtyard accommodation 742 sqm of communal garden
- Basement providing vehicular and cycle storage for both the commercial and residents

A summary of areas within the proposed development

Use	Area (GIA)
Residential	19,188 sqm
Basement Car Parking	2,769 sqm
Commercial (Riverside Studios)	8,633.2 sqm
Shared Plant and Substation	492 sqm
Total	31,082 sqm

6. SITE VALUE BENCHMARK

- 6.1 We consider that this should be based upon Market Value (having regard to development plan policies and all other material planning considerations, and disregarding that which is contrary to the development plan) as per guidance provided by the RICS (Financial Viability in Planning – GN 94/2012).
- 6.2 By default, this means we have also taken into account guidance on deriving SVBs (or the equivalent thereof) provided by:-
- National Planning Policy Framework “NPPF” (and, in particular, references to ‘competitive returns’), and;
 - The 2012 GLA Toolkit Guidance Notes, and;
 - ‘Viability Testing Local Plans’ – Advice for Planning Practitioners – Local Housing Delivery Group – June 2012, and;
 - ‘Financial Viability in Planning’ – RICS – August 2012.
- 6.3 When arriving at a Market Value for a site it is necessary to give consideration to:
- Existing Buildings and Uses
 - Potential expansion within existing uses
 - Potential for redevelopment for other uses
 - Planning policy
 - The current market for development land
- 6.4 All of the above will be considered by the market when bidding on development land and are therefore value drivers.
- 6.5 As such when arriving at a suitable SVB for planning purposes the established method of considering, EUV/CUV and AUV as well as Market Value (qualified) and in some instances purchase price paid should be considered in order to come to a comprehensive view.

EUV

- 6.6 The EUV/CUV refers to the Market Value of the asset on the special assumption that it only reflects the current use of the property and disregards any prospect of development other than for continuation/expansion of the current use.
- 6.7 The Applicant has disregarded EUV in this instance on the basis that the existing buildings demonstrate an underdevelopment of land.

AUV

6.8 The AUV refers to the value of the asset under an alternative planning use for which planning permission might reasonably be expected to be obtained.

6.9 The Applicant originally submitted an AUV scheme comprising:

10.1 Alternative Use Scheme (AUV)

The Proposed AUV Development briefly comprises of the following:

Summary	GIA (sq. m.)	GIA (sq. ft.)
Café / Restaurant (A3) Retail (A1) - -	1,266.1	13,629
Offices (B1) - -	9,100.8	97,963
Affordable Residential (C3)	6,134.3	66,031
Private Market Residential (C3)	12,876	138,601
Gym (D2) - -	1,243.3	13,383
Car Parking - -	2,286.4	24,611
Shared Plant - -	610.8	6,575
TOTAL	33,517.7	357,979

6.10 We understand from the planning statement that the site specific policy for the Subject Site states that

- Replacement of suitable accommodation for the Riverside Studios key activities in an appropriate location will be sought; and
- that a predominately residential use is preferred but that a 'small' proportion of offices is not ruled out.

6.11 In that the proposed AUV did not allow for provision of space for Riverside Studios and that there is a significant proportion of office space we questioned whether the scheme represented development for which planning permission might reasonably be expected to be obtained.

6.12 Following conversations between the Applicant and the Council it was confirmed that an AUV scheme with a reduced quantum of office space and provision of some leisure space would be acceptable in planning terms.

6.13 Subsequently the Applicant submitted an AUV scheme with:

- 94 space basement car park including gym; totalling 4,600 sqm GIFA footprint.

- Office space totalling 1,862 sqm GIFA (excluding basement)
- Retail/Café/Gym/Cinema shell only space totalling 2,839 sqm GIA (including shared plant space)
- 202 Residential apartments; 121 nr private apartments 14,668 sqm and 81 nr affordable apartments 6,960 sqm GIFA (excluding basement)
- Bridging over the existing storm relief sewer below the proposed basement.

MV (qualified)

6.14 Market Value is defined by the RICS (and no other professional body) as “The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

6.15 Within their Financial Viability in Planning Guidance note the RICS go on to comment that the most appropriate SVB is Market Value (assuming that any hope value accounted for has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan) – RICS - “MV (qualified)”.

6.16 What has not been examined within the Applicant’s submission is the MV of the site(s) with the benefit of the extant planning permissions and having regard to development plan policies where planning permission is not in place.

7. RESIDENTIAL VALUES

7.1 Private Residential Values

7.1.1 The Applicant has adopted the comparable method of valuation in arriving at values for the proposed residential units. Having taken into consideration a number of comparable schemes they have individually priced the units.

7.1.2 The average values assumed by the Applicant for each unit type are as follows:

Unit Type	Average (sqft)	NIA	Total Capital Value	£/sqft
Studio	463		£344,167	£747
1 Beds	644		£489,091	£761
2 Beds	933		£790,000	£850
3 Beds	1,490		£1,463,804	£974
Total	979		£869,030	£877

7.2 Comparable Evidence

7.2.1 The Applicant's consultant dpa2 has listed key comparables including:

- Fulham Reach
- Fulham Riverside
- Imperial Wharf
- Chelsea Reach

7.2.2 We would comment as follows:

7.2.3 The majority of the comparable new build development currently being marketed in London are located along the river Thames in either Hammersmith and Fulham or the Nine Elms Regeneration area (Wandsworth/Lambeth). The off plan nature of the sales means that it is not always possible to obtain certainty on achieved prices however we have been able to examine asking prices and gain detailed insight on marketing from our new homes sales team.

Fulham Reach



Developer	Berkeley Homes
Status	Launched Q3 2011
Purchaser Profile	Investors, Pied a Terre, Professionals, Downsizers
Facilities	Club, pool, gym, spa,
Transport Links	10 minute walk from Hammersmith Broadway serving 3 underground lines, direct access into West End, City, Kings Cross, Paddington and Heathrow

This is the closest comparable to the proposed development in terms of location. The first phase of this St James's Group development on the river close to Hammersmith Bridge is due to complete at the end of this year. Distillery Wharf comprises 124 units and we understand has fully sold (prior to completion) apart from the penthouses. Fulham Reach provides on-site leisure facilities including, residents' lounge, swimming pool, gym, screening room and wine cellar. We understand from the developer that the scheme has achieved over and above its asking prices at c.£1,200psf.

We appreciate that Fulham Reach offers significant amenities to potential purchasers and that this will command a premium over what can be achieved at the subject site. However, we consider that the views offered by some of the subject units are superior to those within the Fulham Reach development. When considered we do not accept that superior facilities merit a 25% discount (from understood average achieved) when pricing the subject scheme

Asking prices for Fulham Reach (which we understand to have been exceeded) are as follows:

Floor	Bed	Sq Ft	Price	£PSF
1	2	965	£879,950	£912
1	2	1085	£854,950	£788
1	2	1073	£984,950	£918
1	2	832	£984,950	£1,184
1	2	896	£749,950	£837
3	2	965	£914,950	£948
3	2	1085	£889,950	£820
3	2	1073	£1,014,950	£946
3	2	832	£809,950	£973
3	2	896	£784,950	£876
6	3	1501	£1,894,950	£1,262
6	2	1073	£1,059,950	£988
2	2	896	£794,950	£887

2	2	832	£819,950	£986
2	2	1073	£1,019,950	£951
2	2	1101	£899,950	£817
2	2	965	£899,950	£933
5	2	832	£864,950	£1,040
5	2	1073	£1,064,950	£992
5	2	1101	£944,950	£858
1	3	1814	£2,329,950	£1,284
2	3	1568	£2,089,950	£1,333
3	2	1048	£1,259,950	£1,202
4	2	1048	£1,274,950	£1,217
1	3	1568	£1,999,950	£1,275
2	3	1814	£2,354,950	£1,298
3	2	1048	£1,259,950	£1,202
5	2	1035	£1,179,950	£1,140
		31092	£32,883,600	£1,058

Imperial Wharf - Chelsea Creek



Developer	Berkeley Homes
Status	Launched June 2012
Purchaser Profile	Investors, Pied a Terre, Professionals
Facilities	On-site restaurants, retail, gym swimming pool and spa.
Transport Links	Adjacent to Imperial Wharf overground station no direct link into West End/City

Chelsea Creek is the last phase of the Imperial Wharf developments which have been developed by St George. Previous phases of Imperial Wharf occupy the river frontage however Chelsea Creek does not benefit from river frontage.

At the end of Q2 2013 five blocks are under construction: - Dockside is 50 units, due to complete in Q3 2014, two units remain available including a penthouse. - Quayside is 21 units due to complete Q4 2014, one penthouse remains available. - Waterside is 21 units due to complete in Q4 2014, one penthouse remains available. - Countess House is 48 units due to complete in 2015, two units remain available including one penthouse. - The Tower is 48 units due to complete in 2016, only four units remain available.

A summary from Molior shows the asking prices to be as follows:

Unit type	Average
1 Beds	£794,950
2 Beds	£1,146,617
3 Beds	£2,451,617

Fulham Riverside



Developer	Barratts
Status	Launched October 2013
Purchaser Profile	Investors, Pied a Terre, Professionals
Facilities	On-site restaurants, retail, and gym
Transport Links	Imperial Wharf overground station no direct link into West End/City

This Barratts scheme is situated in the Sands End area of Fulham close to Berkley Homes Imperial Wharf development. There is planning permission for 463 units in total.

There is little to no information on pricing available in the public domain and the developer is not willing to share pricing information at this stage. However the Applicant has stated within their submission that they understand the prices to range from £510,000 for a one bed to £1,450,000 for a 3 bed duplex with penthouses starting at £5m.

Chelsea Reach



Developer	Bellway
Status	Launched 2011, completed Q3 213
Purchaser Profile	Investors, Pied a Terre, Professionals
Facilities	none
Transport Links	Fulham Broadway

This is a 41 unit Bellway scheme close to Fulham Broadway. We understand that the scheme completed in Q3 2013 and that the average achieved prices were circa £836psf (according to land registry).

We would note that the scheme launched and the majority of units sold in 2011. As such the completed prices represent exchange prices from over 2 years ago.

In addition the scheme is in an inferior location to the subject and does not benefit from river frontage.

We would expect values at the subject scheme to achieve a significant premium over the inferior location and take account of market movement.

Sovereign Court



Developer	St George
Status	Launched Q3 2013
Purchaser Profile	Investors, Pied a Terre, Professionals
Facilities	None.
Transport Links	Hammersmith Broadway

In July 2013 St George West London was granted planning permission for a mixed use development on the King Street Mall including 294 private residential units.

From the marketing material it would appear that there are no leisure facilities provided on site.

We have looked at the availability on the St George website and from our best estimate we believe the asking prices for apartments up to the 6th floor to range from c.£970psf to £1,200psf.

We are aware that Sovereign Court is currently being marketed in Asia but that the achieved 43 sales through the UK market before going overseas. We understand that achieved values within the UK market to be in the region of £900psf-£950psf.

This scheme is in an inferior location to the subject site and does not offer direct river views. We would expect the subject scheme to achieve a premium over and above Sovereign Court.

7.3 Conclusions

7.3.1 Given the information and reasons laid out above we believe that the Applicant may have applied overly conservative values to the proposed units. Our experience elsewhere in the Borough would suggest that there is scope for the achievable values at this scheme to be more in the region of in excess of £1,000psf on average.

7.3.2 We have therefore undertaken a unit by unit pricing exercise (Appendix 1). A summary of which can be seen below:

Unit Type	Average NIA (sqft)	Average Capital Value	£/sqft
Studio	463	£402,222	£870
1 Beds	644	£526,061	£820
2 Beds	933	£878,676	£948
3 Beds	1,490	£1,693,261	1,124
Total			£1,004

7.3.3 We have adopted the same private residential rate within our AUV appraisal.

8. Commercial Values

- 8.1 Within the proposed scheme the commercial uses are assumed to be transferred to the Riverside Studios at a peppercorn rent.
- 8.2 Within the revised AUV there are rents and yields assumed for office, gym, cinema and restaurant/café use. We have reviewed these and our findings are as follows:
- 8.3 **Café/Restaurant**

The Applicant's consultant stated that their search did not yield requirements for café and restaurant space within W6 and the wider area. However they believe that the location would support retail café and restaurant demand and have applied an anticipated rent accordingly. We would note however that we have not seen any comparable evidence for the rent or yield assumed within their appraisal.

The A3 space within the suggested AUV is river facing with only pedestrian footfall and no frontage onto a road. It is not an established retail area although as mentioned by the Applicant the River Café is located close by to the south of the subject site along the Thames.

The path along the Thames is popular especially at weekends however, as there is a lack of other commercial uses in the vicinity the footfall during the week is relatively low. The suggested retail space would need to have a USP to become a destination space.

Given the location it is difficult to find directly comparable space. However we have tried to analyse new build retail lettings transactions within other residential schemes.

Langham

Langham Square is a St James Group development adjacent to East Putney underground station. It comprises 104 residential units above office accommodation, retail units, cafes and restaurants.

We are aware of the following unit which is on the market at the scheme.

Use Class	GIA (sqft)	Rent pa	£psf
A3 Restaurant	3,895	£100,000	£25.00

Langham Square will benefit from significant levels of footfall, being adjacent to

East Putney Underground station and on the busy A205 south circular.

Battersea Reach

Battersea Reach is a large development by St George to the east of Wandsworth Bridge Road and north of York Road. The development comprises some 1,500 residential units in addition to bars cafes, restaurants and health and leisure facilities.

We understand that there are two remaining A3 units currently on the market:

Use Class	GIA (sqft)	Rent pa	£psf
A3 Restaurant	5,490	£109,800	£20.00
A3 Restaurant	3,594	£79,966	£22.25

Although Battersea Reach is a large development with significant residential accommodation it is comparable to the proposed AUV in that it is somewhat isolated and that the commercial units do not front on to a street scene therefore relying on passing trade from the Thames Path or residents. Day time trade during the week is understood to be limited.

8.4 Office

The rent and yield adopted by the Applicant for the suggested office space within the AUV has been derived from comparable evidence gathered within the Hammersmith area.

The subject site is not in an established office location and as such it is hard to find directly comparable transactions, especially within the immediate postcode. The Applicant provided a large number of transactions as evidence to support the £30psf rent they assumed within their report.

We would note that the transactions provided are all more or less centred around Hammersmith Broadway which is a recognised business district out the prime central London office locations.

The majority of the transactions listed were for relatively small footplates and some are too dated to consider as truly relevant information when deriving value for the suggested office space within the AUV.

As well as reviewing the transactional evidence provided we have also consulted with our specialist office team who are active in the Hammersmith area.

Our office team are currently letting 5,213 sqft within Hammersmith Embankment Waterfront (commercial phase of Fulham Reach) at over £40psf. In addition to this

we understand that they are marketing space within 10 Hammersmith Grove (only new build office building in central Hammersmith) at c.£50psf for the best space.

It is our understanding that high quality new build office space is at a premium within the Hammersmith area. The subject site is not ideally located and the proposed office space does not offer a particularly favourable outlook. However having reviewed the evidence and spoken to our expert agents we believe that rents of slightly in excess of £30psf could be secured.

In terms of investment yield we have consulted our office investment team. Their view is that high quality new build office space in that location would achieve in the region of 5.75% to 6% yields on a multi let basis.

In the revised AUV the office space is considerably smaller and is not multi level (all at ground floor). We have therefore applied a yield of 6.5% within our appraisal.

8.5 Gym

We have spoken to our in house leisure team and consider the rental level assumed for the gym space to be reasonable.

We would however anticipate a sharper yield.

8.6 Cinema

The Applicant has not provided a view on what value they consider appropriate to be attached to the basement cinema space.

There is little to no evidence of cinema sales in new developments without the benefit of a tenant in place.

In attaching a value to the cinema space within our appraisal we have had consideration to the HOTs for the proposed cinema on King Street (details of which are P&C).

9. Further Appraisal Assumptions

9.1 Development Profit

9.1.1 The applicant has adopted a developer's return of 20% profit on GDV within their appraisals. We consider this to be at the mid to upper end of the range of returns upon which development finance is available in the current funding market. We therefore consider this assumption to be reasonable given the scope of development proposed.

9.2 Development Finance

9.2.1 The applicant has applied an interest rate of 6.75% to their appraisals. We consider this to be at the lower end of the scale in the current funding market and therefore consider this cost to be reasonable.

9.3 Build Costs

9.3.1 Within the Applicant's original submission they included cost estimates for the proposed scheme and the AUV scheme which had been prepared for them by Faithful and Gould a construction project and cost management consultancy.

9.3.2 As a matter of course for a scheme of this size and location we deemed it prudent to instruct an independent QS to review the costs as submitted.

9.3.3 Their response is attached at Appendix 2.

9.3.4 In summary it concludes that costs assumed by the Applicant in relation to the proposed scheme and AUV are reasonable as per the plans provided.

9.4 Professional Fees

9.4.1 The Applicant has allowed for 12% of costs for professional fees. We consider this assumption to be reasonable given the scope of development proposed.

9.5 Timescales

9.5.1 We consider the timescales assumed by the Applicant to be appropriate for a scheme of this type and scale.

9.6 Ground Rents

9.6.1 We consider the ground rent assumptions to be reasonable.

9.7 Affordable Housing

9.7.1 In the Applicant's revised AUV scheme they have put forward values for the affordable housing equating to £230psf (after RP on costs). We consider this to be a conservative estimate and are not of the view that this element has been overstated.

9.8 Parking

9.8.1 The Applicant originally assumed that the proposed parking spaces could be sold for an additional £20,000 each. Given comparable evidence we consider this to be overly conservative. At Fulham Reach for example a right to park is available for an additional £50,000.

9.8.2 We have assumed £40,000 per space within our appraisals.

9.9 CIL/S.106

9.9.1 We understand from LBHF that the CIL and S.106 costs assumed within the Applicant's appraisals are yet to be confirmed.

9.9.2 We have therefore broadly maintained the Applicant's assumptions within our appraisal.

9.9.3 We would note however that on the revised AUV scheme the Applicant has assumed that S.106 would only be payable on the private units. We do not consider this to be realistic and have therefore assumed £18,000 per residential unit (regardless of tenure) within our appraisal of the AUV.

9.10 Sales Rates

9.10.1 It is well documented and understood within the London new build property market that the majority of new build residential schemes of this scale sell well in excess of 60% of their stock prior to completion. In addition to this it is more often than not a stipulation of development funding that in excess of 60% off plan sales be achieved.

9.10.2 Research released by CBRE on 13th August 2013 and compiled by Molior suggests the following:

The Top Five London Boroughs for Pre-Completion Sales

	Borough of London	Percentage of Homes Sold Under Construction
1.	Newham	97%
2.	City of London	84%
3.	Sutton	83%
4.	Haringey	78%
5.	Tower Hamlets	73%
5.	Wandsworth	73%

(Source: Mollor 2013)

9.10.3 Fulham Reach, Battersea Power Station and Embassy Gardens sold the entirety of their first phases prior to completion.

9.10.4 St Peter's Place had sold 58% of its units two months after launch. From July 2013 even if sales only progress at 2 units per month the whole development will have sold prior to the anticipated completion in Q1 2014.

9.10.5 From the plans, cost estimate and design specification provided to us we consider the proposed scheme to be of very high quality. As such we would expect the demand for the residential units to be strong.

9.10.6 As such we have assumed that 80% of the units could be sold prior to PC.

10. VIABILITY ASSESSMENT RESULTS

Proposed Scheme

- 10.1 As a starting position we have appraised the proposed scheme as submitted by the Applicant but allowing for variances in the elements we consider to require further consideration.
- 10.2 As can be seen at Appendix 3, our appraisal demonstrates a residual land value derived by the proposed scheme with no provision of affordable housing of in the region of **£31.3m**.
- 10.3 The Applicant's appraisal for the proposed scheme shows a residual land value of £37,105,000.
- 10.4 Having examined the Applicant's appraisal on the GLA toolkit the difference in RLV for the proposed scheme is due to:
- Professional Fees
 - Finance
 - Marketing
- 10.5 In order to establish whether a nil provision of affordable housing is the maximum justifiable on viability terms it is necessary to compare the RLV of the proposed to an SVB. If the RLV of the proposed is higher than the SVB it would suggest that the scheme could viably make a contribution towards affordable housing (whether on site or by way of a further payment in lieu).

SVB

- 10.6 The initial feedback from LBH&F was that the AUV proposed by the Applicant would not reasonably be expected to achieve planning permission due to the lack of provision of space (or allowance for relocation) for Riverside Studios and the significant quantum of office space. Both of which are contrary to the site specific allocation within the development plan.
- 10.7 We understand that the revised AUV is considered acceptable by the Council. As such we have appraised the revised AUV in order to arrive at an RLV assuming the site had planning permission on this basis.

- 10.8 As can be seen at Appendix 4 our appraisal demonstrates that an RLV of circa **£33.5m** would be driven by the current proposed AUV.
- 10.9 Our appraisals suggest that the revised AUV (which has been accepted in principle by the Council) drives a residual land value of circa £2m over the RLV of the proposed scheme.
- 10.10 As such we consider that the proposed scheme cannot technically viably offer anything further in terms of financial planning obligations than is already allowed for within the appraisal.
- 10.11 The financial contributions allowed for within the appraisal amount to
- S.106 - £2,970,000 (£18,000 per unit)
 - PIL - £230,000
 - CIL - £1,081,450

STRICTLY PRIVATE AND CONFIDENTIAL



Affordable
Housing
Solutions

Riverside Studios and Queen's Wharf Financial Viability Assessment

For: Mount Anvil
September 2013

Confidentiality statement

This report is strictly confidential to Mount Anvil.

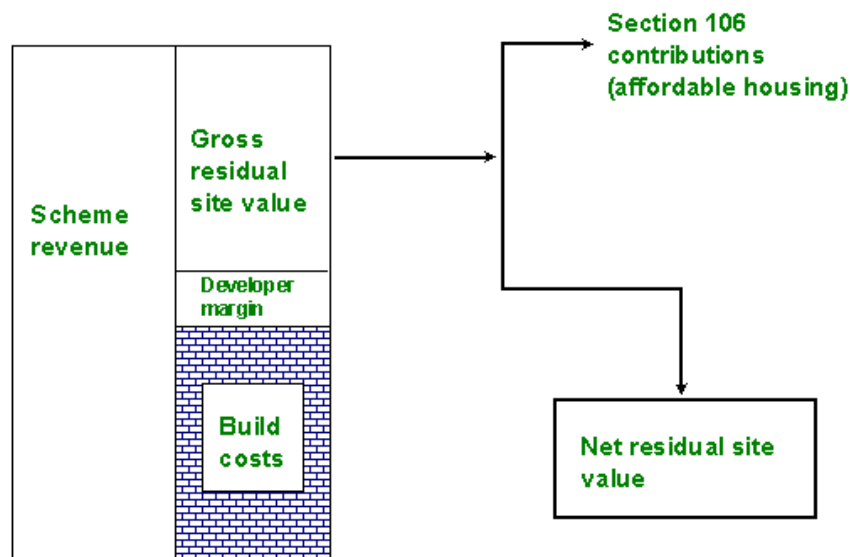
It contains commercially sensitive information.

Accordingly, this report should not be disclosed (in whole or in part) to any person, or used for any purpose, unless consent to such disclosure or such use has been given by Mount Anvil.

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Appendix 6: AUV scheme: Plans	
Appendix 7: Affordable Housing Policy Statement	
Appendix 8: Affordable Housing Solutions Ltd	

1.0 Introduction.

- 1.1 Affordable Housing Solutions, (AHS), have been appointed by the Applicant, Mount Anvil, to advise in relation to the affordable housing content of the Proposed Scheme at Riverside Studios and Queen’s Wharf, located in the London Borough of Hammersmith and Fulham.
- 1.2 This explanatory report and the accompanying economic viability assessment data, comprising appendices 1 to 8, contain strictly private, confidential, and commercially sensitive information.
- 1.3 The Proposed Scheme has been appraised employing the GLA’s recommended financial model; specifically, the GLA’s Development Control Toolkit Model (2012). We understand that this model is acceptable to Hammersmith & Fulham Council for the purposes of determining the maximum viable quantum of affordable housing in mixed use projects containing an element of residential accommodation and is, therefore, appropriate for the purpose in relation to the Proposed Scheme.
- 1.4 The purpose of this report is to provide an easily understandable and detailed review of the current cost and revenue implications of the Proposed Scheme which drive the Toolkit model outputs. Our intention is to offer full transparency as regards the ability of the project to subsidise affordable housing contributions, and s106 contributions generally.
- 1.5 The Toolkit is founded on the calculation of a residual land value for the Proposed Scheme. Residual valuation is a frequently used method for appraising the financial viability of development schemes, whether new developments, or refurbishment of existing buildings. The residual valuation can be expressed as a simple diagram:



- 1.6 In essence, the viability model compares the residual land value of the proposed scheme (RV) with a benchmark against which the viability of the scheme can be appraised. In this regard, the comparator can be any of the following: the Existing Use Value of the site (EUV); any Alternative Use Values, (AUV); the Open Market Value of the site (OMV) or the price paid for the site may also be considered.
- 1.7 Clearly, Hammersmith and Fulham's affordable housing targets are not intended to be applied on a site by site basis, but should be considered as 'long term' strategic target which relates to units delivered from all sources of supply, including 100% affordable housing schemes.
- 1.8 Indeed, this approach has been tested at appeal (decision reference APP/G5180/A/08/2084559), where the Inspector interpreted the similar previous London Plan Policy 3A.10 dealing with strategic affordable housing targets as follows: *"Moreover, policy 3A.10 of the LP makes clear that Boroughs 'should seek the maximum reasonable amount of affordable housing when negotiating on individual private residential...schemes', concluding that Boroughs should have regard to the need to encourage rather than restrain residential development, and to the individual circumstances of each site. In my view, both policies seek such provision through negotiation, and the acceptance of specific site circumstances. I conclude, as the Council did at the Inquiry, that in negotiating a figure of affordable housing below 35%, such 'provision', assuming specific circumstances are demonstrated, could encompass '0', or no affordable units."* (Ref: Beckenham: APP/G5180/A/08/2084559)
- 1.9 If the residual value of a proposed scheme is reduced to significantly below an appropriate viability benchmark sum, it follows that it is commercially unviable to pursue such a scheme, and the scheme is unlikely to proceed. If a scheme is being rendered unviable because of Section 106 requirements, it is appropriate to reduce the burden of those requirements in order to facilitate viability.
- 1.10 On a project specific basis, the Toolkit demonstrates that any addition of affordable housing will result in the Proposed Scheme becoming unviable. Consequently, in relation to the specifics of the Proposed Scheme, nil affordable housing is the 'maximum reasonable amount' that the Proposed Scheme can support without becoming unviable.

2.0 The Proposed Development

- 2.1 The Applicant considers the site to have the potential to make an important contribution to the physical and land use based regeneration of this part of the river frontage, and to deliver significant benefits to the communities living in Hammersmith and Fulham. This is consistent with the site's identification as part of a Key Location for Comprehensive Regeneration.
- 2.2 The Applicant's intention is to seek a planning permission for the quantum of development and land uses detailed below. This is the subject of a Planning Application to the Council which has been submitted under separate cover.
- 2.3 The Applicant's proposals include demolition of the existing buildings and the redevelopment of the site via a comprehensive proposal comprising the erection of a six to eight storey building with balconies and roof terraces and the provision of 165 residential units (Class C3) and 8,633m² of commercial floor space for television and film recording studios, storage, dressing rooms, offices, theatre, cinema and other facilities ancillary to those uses including cafe, restaurant, bar and other uses for the sale of food and drink, together with car and cycle parking, storage and plant space and the creation of a riverside walk along the frontage of the site facing the River Thames (1,442m²).

The production studios and ancillary space will be transferred to the Riverside Trust at a peppercorn and the river walkway to the Council at nil cost.

Use	GIA m ²	NIA m ²
Riverside Studios	8,071	
Residential Market (C3)	19,188.7	15,010.1
Car park	2,674.3	
Plant	491.9	
Total	30,425.9	

- 2.4 The planning consent must of course deliver a financially viable project in order to provide a suitable foundation for subsequent project delivery.

- 2.5 Some of the key features of the proposals are:

- 165 homes to suit the housing market.
- A state of the art production studios and theatre, a cinema, restaurant, studios and ancillary accommodation for the Riverside Trust on a long lease at a peppercorn rent. Riverside Studios is at the heart of this vibrant mixed community. Riverside work closely with local children particularly

those from low income families to give them a chance to visit take part in a broad range of arts activities. In the past 12 months these have included:

- Kids' Movie Club – Weekly film season on Saturday mornings.
- Competitions for creative flyers and posters which were exhibited at Riverside Studios
- Kids' Arts Club, part of the Shakespeare Schools Festival, LAMDA Autumn season and the W11 Opera
- The London International Animation Festival in March 2013. Riverside Studios hosted workshops over 4-days to give the children the chance to learn the basics of animation
- Film workshops with children teaching them about filming, production, editing, sounds etc
- Healthy Living Open Day at Wormholt Park Primary School to promote healthy living and the best use of leisure time for local children and their families
- “How to Film” event at the BFI, Southbank to support and inspire people hoping to start community cinemas and film clubs Riverside Studio Building
- Riverside Studios is an employment generator and its specialist facilities are important for the local economy.
- There will be new opportunities for work experience and apprenticeships for both Riverside, in media and hospitality, and Mount Anvil in construction during the build period.
- Riverside Studios provides affordable workspace to media companies
- A river walkway, meeting the Council's specification and comprising a site area of 1442m², will be constructed by Mount Anvil and transferred to the Council on completion.

3.0 Appraisal Methodology: Viability Benchmarks

3.1 The accepted industry standard method of appraising the capacity of a proposed project to deliver affordable housing is founded on the appropriate model being populated with cost and valuation data current at the date of the Application. The net residual land value which results from the model is then compared to a selected suitable benchmark.

- 3.2 The appropriate viability benchmark sum demands consideration in the light of national planning guidance, which requires that appropriate land for housing should be 'encouraged' to come forward for development. The HCA and the National Planning Policy Framework (NPPF) provide guidance on viability benchmarks and we are also aware that the Royal Institution of Chartered Surveyors (RICS) has issued a guidance note on 'Financial Viability in Planning'. Drawing on the above the industry standard appropriate viability benchmark are outlined below.
- 3.3 In 2009, the Homes and Communities Agency published a good practice guidance manual 'Investment and Planning Obligations: Responding to the Downturn'. This defines viability as follows: *"a viable development will support a residual land value at level sufficiently above the site's existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner"*.
- 3.4 In "Ensuring viability and deliverability" the NPPF (paragraph 173) states that *"to ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable"*.
- 3.5 Existing Use Value (EUV): The EUV refers to the value of the asset at today's date on the basis of the adopted planning use. EUV refers to the Market Value of the asset on the special assumption that it reflects the current use of the property only and disregards any prospect of development other than for continuation/expansion of the current use.
- 3.6 In line with paragraph 173 of the NPPF, a landowner premium should be applied to this figure. This is to reflect the fact that planning cost requirements should still allow competitive returns to a willing land owner and that those sites will not be encouraged to come forward for residential led re-development potential if vendors cannot secure a premium above the EUV levels. Having consideration to planning appeal precedents we understand a widely accepted level of land owner premium to be at least 15% – 30%. The premium is also reflected in guidance provided by appeal cases such as APP/L5810/A/05/1181361, (High Street, Hampton Hill, Hampton, 2007) and APP/G5180/A/08/2084559, (Croydon Road, Beckenham, Kent, 2009).
- 3.7 As a consequence, we are of the opinion that a premium of 10-30% as a minimum should be applied to a EUV figure. Nonetheless, we consider that EUV is unlikely to provide a suitable benchmark for the viability assessment since the existing buildings clearly demonstrate an underdevelopment of the land.

3.9 Alternative Use Value (AUV): The AUV refers to the net value of the asset under an alternative planning use, either consented or for which permission might reasonably be expected to be obtained.

The use of a suitable AUV as a viability benchmark is supported by the Guidance Notes to the GLA's Development Control Toolkit which confirm that AUV may be selected as one benchmark against which the viability of a scheme can be appraised. The Guidance Notes state that it is significant: *'where an alternative planning permission has been granted, or might realistically be granted: for example where retail or hotel use might also be developed on the site.'*

The AUV has been used as a benchmark as it is likely to deliver as a benchmark the value that a landowner would be seeking for the site.

The alternative uses for the site have been considered by the Applicant's Planning Consultants, Rolfe Judd in relation to the Borough's land use policies. In the professional opinion of Rolfe Judd, a mixed use scheme comprising restaurant / retail, gym, office and residential elements are appropriate in relation to the GLA definition of Alternative Use.

The alternative development proposals have been prepared by Assael Architecture and in consultation with the project team. The alternative uses replace the studios and ancillary accommodation featured in the proposed scheme. The affordable housing accommodation, forming part of the residential element of the alternative use scheme, has been included at the Borough's strategic target level of a minimum of 40%.

The alternative development proposal occupies a similar massing envelope to the proposed scheme and, therefore, provides a realistic and comparable assessment of the accommodation that could be provided on site.

The AUV of the site has also been appraised using GLA's Development Control Toolkit Model, (2012) for consistency. The resultant alternative use value is supported by detailed cost and valuation reports prepared by the applicants' professional team, which are included as appendices to this report, and discussed more fully in Section 6.

3.10 Market Value: RICS guidance contained within their publication 'Financial Viability in Planning' (2012) states that when considering the value of the development site for planning purposes the *'Site value should equate to the Market Value subject to the following assumption; that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.'* The Market Value as defined by the RICS is *'the estimated amount for which the asset should exchange on the valuation date between a willing buyer and a willing seller in an*

arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.' As such we understand that, in having regard to the development plan the Market Value of a site should reflect a financially viable scheme.

- 3.12 Purchase Price Paid: There is a debate as regards the extent to which purchase price paid (and rolled up debt associated with the site) should influence the choice of viability benchmark sum. In a London setting, the GLA seem to have de-emphasised the relevance of purchase price paid in their latest Toolkit guidance notes, (2012), although previous versions indicated purchase price to be a valid benchmark, and has been widely used in the industry for many years. We see no reason for this change and, in fact, we see sensible reason for taking purchase price paid into greater account given recent land value falls and reductions in HCA grant funding as, without doing so, land will not be 'encouraged' to come forward for 'development'. Indeed, developers will be faced with unviable and blighted planning consents. As such, to ignore purchase price paid (unless unreasonable as at the time of purchase based upon prevailing market conditions and planning policies) would be unwelcome for all stakeholders interested in the delivery of new housing.

4.0 Proposed Scheme: Affordable Housing Content

- 4.1 The viability assessment clearly demonstrates that the proposed scheme cannot support any affordable housing if it is to remain viable. The proposed scheme includes the provision of a cinema, three production studios and associated ancillary accommodation for Riverside Studios, as well as a riverside walkway to be transferred to the Council.

- 4.2 The developer will receive no return for the accommodation to be transferred to Riverside Studios and the Council (which totals 8,633 m²) and hence there is no revenue stream to capitalise. Therefore, the market residential accommodation solely has to support the cost of these facilities. As the full cost of this provision is borne by the scheme, without any balancing return, the consequence is that there is no remaining capacity to support affordable housing provision.

- 4.3 The accommodation to be provided to Riverside Studios will be of considerable benefit to the Borough as set out in section 2.5 above.

5.0 Proposed Scheme: Appraisal Inputs: Revenues

5.1 Residential Market Values

- 5.1.1 dpa² has been appointed by the Applicant to provide independent valuation advice for the Proposed Scheme, and the Alternative Use Scheme. In the experienced and professional opinion of dpa² the current value of the proposed market sale residential units for the Proposed Scheme is c£143.39m, representing an average value of £888psf NIA.

5.1.2 The accommodation has been valued on unit specific basis, taking account of the aspect, amenity, unit size, and other variables which have an effect upon value. dpa² has drawn upon relevant local comparable evidence, as set out in their report. The total completed value for each unit is attached in the form of a pricing schedule of accommodation to accompany this report (Appendix 2).

5.2 Ground Rents

dpa² has advised the following ground rents per annum:

- studio £150
- 1 bed £250
- 2 beds £350
- 3 beds £450

The ground rents have been capitalised at a 4.75% yield.

5.3 Car parking

There are 82 spaces of car parking assumed to attract revenue. (5 spaces will be transferred at nil cost as part of the Riverside Studios). The car parking spaces have been valued by dpa² at £20k per space. A capital contribution of £1.74m has therefore been applied as a toolkit input.

6.0 **Proposed scheme: Appraisal inputs: Costs**

6.1 Construction Costs

The project's cost consultants, Faithful & Gould, have provided content specific construction costs for the proposed scheme. Faithful & Gould have assessed the total construction cost on the basis of a detailed elemental cost plan containing an assessment of the quantity and current cost of materials, labour, and fixtures required to deliver the proposed scheme to completion. Their Summary Elemental Cost Plan for the proposed scheme is included as Appendix 3. The full cost plan is available on request.

This shows a total construction cost of c£68.4m exclusive of fees but inclusive of a 5% contingency.

It is recognised that the build cost estimate is in advance of the default inputs within the Toolkit for the residential element. The Proposed Scheme is, however, of the high quality necessary to generate the property values required to deliver a viable project.

Faithful & Gould has separated out the build costs for the residential and non-residential elements. The cost analysis is project specific and takes into account the following features of the scheme:

- The proposed development aims to create a building of architectural excellence in line with current national, strategic and local planning policy. The cost plan therefore reflects this objective.
- The apartments are to be built and finished to a high specification, in order to support the sales valuation.
- A basement has been provided. This will contain car parking, a cinema and ancillary accommodation and will accommodate the plant required to service the Proposed Scheme.
- Specialist acoustic works are required to accommodate the requirement to re-provide the studios on site
- There are considerable abnormal costs, including the repair and reinforcement of the river wall, bridging over the Thames storm sewer which bisects the site, realignment of UKPN Power Network's electricity cable running under the existing building and re-use of required materials for basement construction adjacent to the river..

A contingency allowance of 5% has been included by Faithful & Gould, which is considered appropriate, given the stage of the design and the nature of the buildings to be constructed.

6.2 Professional Fees

The professional fees have been input at 12% of build costs in line with the Toolkit default level. However, the scheme is a complex one. The Applicant, therefore, reserves the right to adjust their position in this respect should unforeseen professional costs commitments be required.

6.3 Interest Rate

An interest rate at the default rate of 6.75% of build costs has been employed.

It should be noted that over the past two years debt funding for property development has become harder to obtain, is more expensive, and is available only at lower loan to value ratios. The overall percentage of lower cost senior debt has been reduced by lenders and, by necessity, has been replaced by more expensive junior debt/mezzanine funds.

The general economic climate linked to the increased demand for mezzanine funding has resulted in mezzanine lenders demanding relatively high interest rates and fees, currently equating to 15% pa. The resultant cost consequences of debt funding have been further exacerbated by the higher proportion of mezzanine finance now required. On this basis, in practice, interest rates are commonly higher than the Toolkit default level and we reserve our position in relation to this issue.

6.4 s106 Contributions and CIL payments

On the advice of the Applicant's planning consultants, Rolfe Judd, the S106 contributions and CIL payments have been assessed at £4,281,450. This total sum has been included within the submitted Toolkit. This total is broken down as follows

<i>Item</i>	<i>Cost</i>
S106 financial contributions (£18k x 165)	£2,970,000
Affordable housing financial contribution	£230,000
Mayoral CiL	£1,081,450
Overall Total	£4,281,450

The s106 contributions have been based upon the agreed s106 contributions for the consented Queen's Wharf scheme which amounted to £18k per unit of private accommodation.

It should be noted that the agreement with the Council assumes a figure of £6.5m for both their interest in the site and the financial contributions for s106 and affordable housing. The Toolkit assumes £3.2m for the financial contributions and £3.3m for the land interest (the latter is not shown in the Toolkit inputs as the Toolkit is based upon a Residual Land Value)

6.5 Land Financing Costs

Land financing costs have been included on the basis of the Residual Land Value of the AUV scheme (£23.5m) plus site acquisition costs over the development period. This has been assessed at 41 months.

6.6 Internal Overheads

The Toolkit provides a default level of development cost for Internal Overheads of 6% of the total residential construction costs. For present purposes we have omitted any costs in this regard, however, we reserve our position in relation to this area to cover such costs as legal and bank monitoring, arrangement and completion fees. It should be noted that site acquisition costs of 5.8% of the AUV of £23.5m have been included within the Exceptional Costs field.

6.7 Developers' Profit

For the purposes of the Toolkit we have allowed a level of 20% profit on GDV. It should be noted that in the current fiscal climate the providers of debt finance may require higher profit levels in order to provide additional risk coverage for loans. The raised expectations of financial institutions as regards the risk and return profile of development projects of this nature may now generally reflect in a higher level than the toolkit default of 17%.

6.8 Production studios and ancillary accommodation

The build cost of c£12.4m has been applied to this element plus fees of 10% and an interest rate of 6.75%. The total cost of the production studios and ancillary accommodation is in the order of £14.5m.

7.0 The AUV Scheme

7.1 The Applicant has selected an alternative use for the site which employs a similar massing envelope to that of the Proposed Scheme as its basis. This provides a suitable comparator which will deliver a land value in line with the reasonable expectations of any landowner.

7.2 In addition, by employing the same massing envelope as the Proposed Scheme it can be seen that the AUV scheme is equally acceptable in terms of bulk and mass. On this basis the AUV scheme is not considered controversial in planning terms.

7.3 For the AUV scheme office, restaurant / retail and gym accommodation has replaced the production studio and ancillary accommodation in the Proposed Scheme. Please note that the studio accommodation in the proposed scheme is up to 11metres in height but the office accommodation within the AUV scheme only requires standard heights and so a larger floor area can be provided.

7.4 The mixes proposed for the AUV are as follows:

Use	GIA m ²	NIA m ²
Residential Market (C3)	12,876	10,254.3
Residential Affordable (C3)	6,134.3	4,657.1
Restaurant / café / retail (A3, A1)	1,266.1	
Office (B1)	9,100.8	
Car Park	2,286.4	
Plant	610.8	
Gym (D2)	1,243.3	
Total	33,517.7	

7.5 For the purposes of an AUV benchmark the affordable housing element contained in the AUV scheme has been included on the basis of a scheme compliant with the Council's strategic target of 40% of the residential units as affordable housing. The total number of residential units is 161 flats. This comprises 96 flats for market sale and 65 affordable housing units (40%).

- 7.6 It should be noted that the mix of affordable accommodation has been designed to meet the stated needs of the Borough and thus the overall number of apartments in the AUV has reduced to 161, as studios are not acceptable as affordable housing.
- 7.7 For the purposes of the AUV the affordable element comprises intermediate accommodation. There is no tenure preference within the Council's policy. Recent schemes have provided Discounted Market Sale (DMS) units as affordable. Indeed, the consent at Queen's Wharf provided for DMS units as the affordable component.
- 7.8 For ease of comparison separate toolkit models have been produced for both the Proposed Scheme and the AUV Scheme. In this way the data is compatible and provides a clear analysis between the schemes.

8.0 AUV scheme: Appraisal Inputs: Revenue

8.1 Residential Market Values

It should be noted that the units on the riverfront are unchanged from Proposed Scheme, and therefore their value is identical. dpa² has valued the private element at c£101.5m. This represents an average of £920psf. The individual flat based valuation is attached as Appendix 2.

8.2 Ground rents

Identical unit value based inputs have been employed as for the Proposed Scheme. The capital sum employed as a toolkit input is therefore £1,186,316.

8.3 Car parking

Identical unit value based inputs have been employed as for the Proposed Scheme. The capital sum employed as a toolkit input is therefore is £1.64m

8.4 Affordable housing

The AUV scheme comprises a compliant 40% as affordable housing. This is situated in the three cores overlooking Crisp Road.

The values attributed to the DMS units have been based upon the following:

8 x 3 / 4 bed flats £280k (income level £80k)

9 units £105k (income level £30k)

10 units £122.5k (income level £35k)

9 units £140k (income level £40k)

10 units £157.5k (income level £45k)

9 units £206k (income level £59k)

10 units £225k (income level £64k)

Other than for the 3 bed flats the income levels are not based upon unit type. For purposes of inputting into the Toolkit we have shown the 3 and 4 bed flats at

a value of £280k each but have averaged out the values for the 1 and 2 bed flats, from the income levels above, at £159,895 each (average income level £46k for a mix of 61% 1 bed and 39% 2 bed).

It should be noted that the DMS units in the recently signed s106 at Queen's Wharf for a mix of 1 (87.5%) and 2 bed flats comprised:

7 x 1 bed units at £187,500 (income level £54k)

1 x 2 bed unit at £200,000 (income level £57k)

Therefore, the DMS units have been valued at the lower end of the range of acceptable values to the Borough.

8.5 Commercial

The Alternative Use Value Scheme features restaurant / retail units, a gym and office accommodation. These have mainly replaced the production studio accommodation in the Proposed Scheme. dpa² has valued the commercial element as set out in their report as Appendix 2.

9.0 **AUV scheme: Appraisal inputs: Costs**

9.1 Build costs

The AUV construction costs have been assessed by the project's costs consultants, Faithful & Gould. They have applied current rates and preliminary, overhead and profit levels to reflect consistency between the Proposed Scheme cost plan and current market condition.

The total AUV construction cost is c£67.8m, inclusive of 5% contingency. This cost analysis is attached as an appendix, (Appendix 4). As in the case of the Proposed Scheme, the build cost estimate is in advance of the default inputs.

9.2 Fees

The professional fees have been input at the toolkit default level of 12% to cover construction fees, surveys and associated costs, in line with the Proposed Scheme.

9.3 Interest rate

The toolkit default rate of 6.75% has been applied, consistent with the Proposed Scheme.

9.4 Land financing costs

Land financing costs have been included on the same basis as for the Proposed Scheme.

9.5 s106

The s106 costs and CIL payment have been estimated by Rolfe Judd and inputted into the Toolkit at c£2.9m. These are broken down as follows:

<i>Item</i>	<i>Cost</i>
S106 contributions (£18k x 96)	£1,728,000
Mayoral CiL	£1,205,827
Overall Total	£2,933,827

9.6 Internal Overheads

As with the Proposed Scheme toolkit, no allowance has been made at this stage to reflect internal overheads such as bank monitoring fees, and internal management costs. Site acquisition costs have been included within the Exceptional costs field as for the Proposed Scheme.

9.7 Developer's Profit

The developers' profit of 20% of GDV for the residential element has been employed as a toolkit input. This is consistent with the Proposed Scheme.

9.8 Contractor's return

The default contractor's return of 6% has been employed as an input to the Toolkit.

9.9 Commercial element

Purchasers' costs of 5.8% have been inputted into the Exceptional costs field, as the Toolkit does not have a field for them in the Commercial section.

For constancy, the following on-costs have been allowed for the commercial element as for the Proposed Scheme:

On-costs applied to build costs:

- Professional fees at 10%
- Finance at 6.75%
- Total: 16.75%

On-costs applied to value:

- Developers profit at 17%
- Marketing at 1.5%
- Total: 19.5%

10.0 Appraisal Outputs

Residual Land Valuation

The residual land value resulting from the Proposed Scheme toolkit is c£21m, whilst the residual land value resulting from the AUV toolkit is c£23.6m. The variance is therefore c£2.6m.

11.0 Conclusions

- 11.1 The Proposed Scheme and the AUV have been appraised employing the GLA's recommended financial model; specifically, the GLA's Development Control Toolkit Model, (2012). We understand that this model is acceptable to Hammersmith & Fulham Council for the purposes of determining the maximum viable quantum of affordable housing in mixed use projects containing an element of residential use and is therefore, appropriate for the purpose in relation to the Proposed Scheme.
- 11.2 The AUV scheme has been based on an alternative mix of uses, providing a policy compliant scheme as a benchmark. The residential accommodation remains unchanged in most of the building, except where changed to provide affordable housing, but it provides a similar number of flats. The production studios and ancillary accommodation has changed use to provide an alternative mix of office, restaurant / retail and gym.
- 11.3 The Applicant has employed independent suitably experienced and professional consultants to robustly analyse the costs and value implications of both the Proposed Scheme and the AUV and thus deliver robust data to populate the economic viability assessments.
- 11.4 The economics of affordable housing provision, as detailed in the attached GLA Development Control Toolkits, provide compelling evidence that the Proposed Scheme is not capable of delivering any additional affordable housing beyond the proposed £230k if the Proposed Scheme is to remain viable.
- 11.5 The scheme delivers considerable benefits to the Borough:
- £230k affordable housing contribution
 - £2.97m s106 financial contributions
 - 1,442m² of river walkway to be transferred to the Council with all the required street furniture at nil cost
 - 8,633m² of accommodation to be transferred to the Riverside Trust at a peppercorn.
 - Opportunities for a range of activities for local children
 - Opportunities for apprenticeships
 - Delivering employment opportunities in the Borough

**Riverside Studios, Hammersmith, London
Residential Scheme**

**Review of Construction Estimate (26th September 2013)
Rev 01**

October 2013

Prepared by:

Matthew Cuddy MRICS MSCS

A handwritten signature in black ink, reading "Matthew Cuddy", written over a horizontal line. The signature is fluid and cursive, with a long horizontal stroke at the bottom.

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- Executive Summary
- PQS Consultants
- Review of Applicants Estimate
- Assumptions & Limitations of Report

EXECUTIVE SUMMARY

Terms of Reference

Our instructions are received from Strutt & Parker LLP who are undertaking a review of the Mount Anvil Cost Plans dated 26th September 2013 on behalf of Hammersmith & Fulham Council. We have been asked to review the cost estimate produced by Faithful and Gould (F&G) and used in the Viability Assessment submission to Hammersmith & Fulham Council. Our report is an assessment of accuracy and validity of the cost estimate as submitted and cannot be relied upon for any other purpose.

Conclusion of Review

We have carried out a quantum and cost review of the Faithful & Gould estimate for the proposed scheme and reviewed their Outline Budget estimate dated 26th September 2013. We have concluded that the quantum assessment of the required works is accurate and valid. We have assessed the rates used by them in their estimate and having considered all aspects of the scheme we are satisfied that the costs used are reasonable and valid.

The AUV Office Scheme cost plan dated 26th September 2013 has also been assessed based on the scheme drawings provided. . We have concluded that the quantum assessment of the required works is accurate and valid. We have assessed the rates used by them in their estimate and having considered all aspects of the scheme we are satisfied that the costs used are reasonable and valid.

In conclusion, we are satisfied that the Construction Costs Estimate of **£68,359,338 (Residential Scheme)** inclusive of 5% contingency and excluding VAT is reasonable and valid. Additionally, we are satisfied that the Construction Costs Estimate of **£67,813,848 (AUV Office Scheme)** inclusive of 5% contingency and excluding VAT is reasonable and valid.

PQS PROJECT CONSULTANTS

We have wide experience of undertaking the management of complex works to a variety of Listed Buildings and Heritage sites to provide Prime Residential, Hotel, Commercial, Retail and Public Buildings. Our experience in managing , implementing and delivering projects ranges from £1Million to £1.5Billion. Our range of specialist business skills includes project managers, building surveyors, cost consultants, risk / value managers and building services cost consultants.

ONE ALDWYCH, LONDON

PQS retained as project managers & cost consultants on redevelopment at this award-winning 5 Star hotel

FRIENDS HOUSE, EUSTON ROAD, LONDON

PQS employed as Client Representative , Project Managers & Cost Consultants
2008 - 2014 Implementation of phased site upgrade, including refurbishment of the Meeting House.

BATEMANS ROW , LONDON

Finalist RIBA 2010 STIRLING AWARD
Winner RIBA 2010 LONDON AWARD
Winner RIBA 2010 LONDON BUILDING OF THE YEAR

PQS employed as Project Managers and Quantity Surveyors

CHECKPOINT CHARLIE, BERLIN

PQS employed as Client Representative and Development Managers on this high profile site. Current mixed use scheme includes 70,000 Sq.M of 5-6* hotel/ residential/ museum (Berlin Wall Museum), galleries and retail space.

Model Sketch of Museum
Open Air Exhibition at "East" Site

REVIEW OF APPLICANTS ESTIMATE

Method of Review

We received full copies of the Cost Plans produced for the Viability Assessment by Mount Anvil and have assessed the quantum calculations and the cost allocations recorded in the F&G estimates. We have based our review on the drawings and documentation provided with the planning application and the AUV Office Scheme drawings referenced A2423 249 to 258 inclusive.

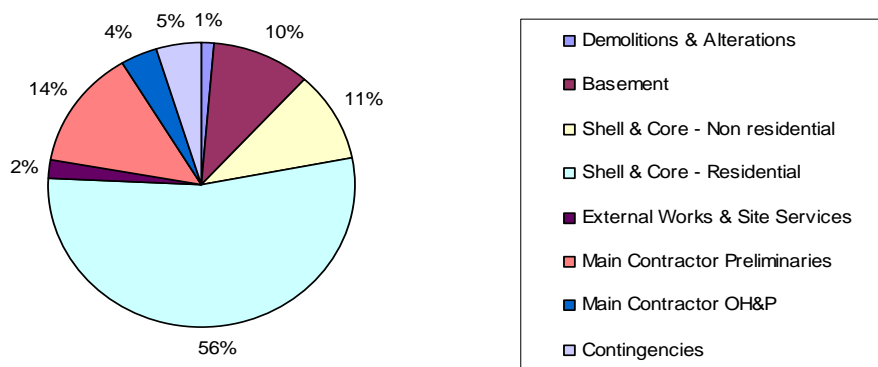
Sensitivity Analysis of Reported Costs Estimate within Viability Study

The sensitivity analysis for each of the considered schemes is set out below. Quantum and Cost checks have been carried with reference to the significance of individual elements within the analysis.

Project **Riverside Studios, Hammersmith**

31,855 sq.m GIFA

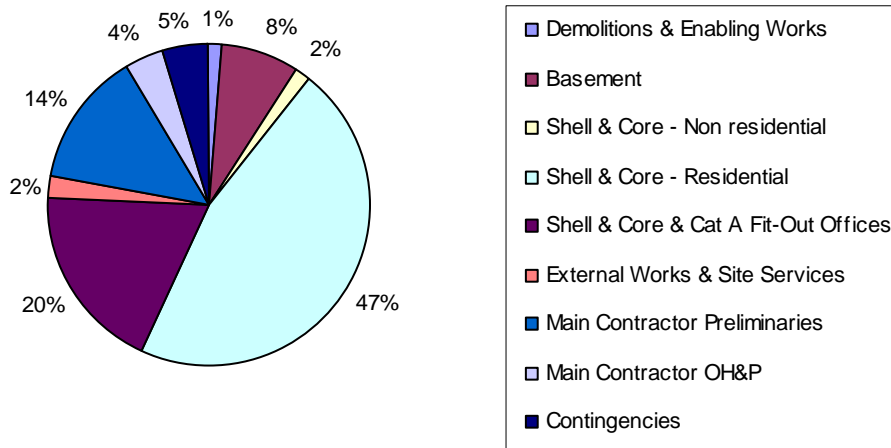
Reference	Element	Total Cost	%	£/sq.M
1.1	Demolitions & Enabling Works	£ 1,018,000	1%	£32
1.2	Basement	£ 7,150,450	10%	£224
1.3	Shell & Core - Non residential	£ 7,297,921	11%	£229
1.4	Shell & Core - Residential	£ 38,123,645	56%	£1,197
1.5	External Works & Site Services	£ 1,322,375	2%	£42
	Total Nett Building Works Cost	£ 54,912,391	80%	£ 1,724
2.1	Main Contractor Preliminaries	£ 7,687,735	14%	£241
2.2	Main Contractor OH&P	£ 2,504,005	4%	£79
2.3	Contingencies	£ 3,255,207	5%	£102
TOTAL TURN OUT COST EXCL CONTINGENCY & FEES		£ 68,359,338	100%	£ 2,146



Financial Summary (AUV Office Scheme)

33,518 sq.m GIFA

Reference	Element	Total Cost	%	£/sq.M
1.1	Demolitions & Enabling Works	£ 943,000	1%	£28
1.2	Basement	£ 5,388,811	8%	£161
1.3	Shell & Core - Non residential	£ 1,353,443	2%	£40
1.4	Shell & Core - Residential	£ 31,966,511	47%	£954
1.5	Shell & Core & Cat A Fit-Out Offices	£ 13,382,065	20%	£399
1.6	External Works & Site Services	£ 1,440,375	2%	£43
	Total Nett Building Works Cost	£ 54,474,205	80%	£ 1,625
2.1	Main Contractor Preliminaries	£ 7,626,389	14%	£228
2.2	Main Contractor OH&P	£ 2,484,024	4%	£74
2.3	Contingencies	£ 3,229,231	5%	£96
TOTAL TURN OUT COST EXCL CONTINGENCY & FEES		£ 67,813,848	100%	£ 2,023



Quantum Check

We have carried out a quantum check of the gross floor areas and the principal element quantities included in the Cost estimates and find them to be reasonable and valid for the intended works. The quantum assessment by F&G is therefore accurate and valid.

Cost Check

We have carried out a cost check on the rates used in the estimate calculations. We have examined all rates and particularly focused on the primary elements identified in the Sensitivity Analysis above. We are satisfied that the rates used are reasonable and valid for the proposed works.

Conclusion

Having reviewed the quantities and rates used in the F&G Estimate and comparing the estimated all-in unit rates of £2,146 (Residential Scheme) per Square Metre and £2,023 (AUV Office Scheme) per Square Metre to similar schemes, we are satisfied that the Construction Costs Estimates of **£68,359,338** and **£67,813,848** inclusive of contingencies excluding VAT are reasonable and valid.

ASSUMPTIONS & LIMITATIONS OF REPORT

We have based our analysis of the construction costs estimate on the following documentation:-

- Construction Cost Plans produced by Faithful & Gould dated 26th September 2013

Our instructions are received from Strutt & Parker LLP who are undertaking a review of the Mount Anvil Viability assessment on behalf of Hammersmith & Fulham Council. This report must not be relied upon for any other purpose.

DESCRIPTION				NET AREA		AMENITY SPACE		ASPECT		DPA2 Values		S&P Values	
Floor	Flat No	Unit Type	Accessible	NIA (sq.m)	NIA (sq.ft)	(sq.m)	(sq.ft)	Double	View	NSA (sq.ft)	£	S&P £	S&P Epsf
1	1-1	2 Bed		96.3	1,037	9.6	103		BRIDGE	£829	£860,000	£1,000,000	£964
1	1-2	1 Bed		65.6	706	5.4	58		CRISP	£566	£400,000	£510,000	£722
1	1-3	1 Bed		57.3	617	5.4	58		CRISP	£567	£350,000	£460,000	£746
1	1-4	2 Bed		108.6	1,169	13.9	150	Double	CRISP	£577	£675,000	£830,000	£710
1	1-5	1 Bed		61.2	658	5.0	54		PATH	£570	£375,000	£480,000	£729
1	1-6	1 Bed	Y	81.7	879	5.1	55		PATH	£512	£450,000	£540,000	£614
1	1-7	2 Bed		112.7	1,213	13.0	140		RIVER/ PATH	£606	£735,000	£840,000	£692
1	1-8	3 Bed		135.7	1,461	7.8	84		RIVER	£798	£1,165,000	£1,550,000	£1,061
1	1-9	2 Bed		84.1	905	16.5	178		RIVER	£828	£750,000	£950,000	£1,049
1	1-10	3 Bed		97.3	1,047	7.7	83		RIVER	£907	£950,000	£1,200,000	£1,146
1	1-11	3 Bed		122.9	1,323	15.0	161		RIVER	£831	£1,100,000	£1,650,000	£1,247
1	1-12	3 Bed		122.7	1,321	15.0	161		RIVER	£833	£1,100,000	£1,650,000	£1,249
1	1-13	2 Bed		93.0	1,001	8.9	96		BRIDGE	£849	£850,000	£1,030,000	£1,029
2	2-1	1 Bed	Y	60.6	652	9.6	104		BRIDGE	£767	£500,000	£580,000	£889
2	2-2	2 Bed		73.3	789	8.2	88		BRIDGE	£805	£635,000	£810,000	£1,027
2	2-3	2 Bed		79.0	850	5.8	63		BRIDGE	£782	£665,000	£850,000	£1,000
2	2-4	2 Bed		80.4	865	6.3	68	Double	BRIDGE	£780	£675,000	£860,000	£994
2	2-5	Studio		48.1	518	5.4	58		CRISP	£647	£335,000	£430,000	£830
2	2-6	1 Bed	Y	71.4	768	5.4	58		CRISP	£644	£495,000	£560,000	£729
2	2-7	1 Bed		56.4	607	13.5	146		CRISP	£643	£390,000	£480,000	£791
2	2-8	Studio	Y	47.4	511	11.6	124		CRISP	£646	£330,000	£430,000	£842
2	2-9	Studio		40.7	438	12.0	129		CRISP	£640	£280,000	£370,000	£846
2	2-10	1 Bed		53.4	575	15.5	167		CRISP	£635	£365,000	£460,000	£800
2	2-11	Studio	Y	47.3	509	11.6	124		CRISP	£639	£325,000	£430,000	£845
2	2-12	1 Bed		51.7	557	13.6	146		CRISP	£637	£355,000	£460,000	£826
2	2-13	1 Bed		58.3	627	5.4	58		CRISP	£638	£400,000	£480,000	£766
2	2-14	1 Bed		58.9	634	5.4	58		CRISP	£631	£400,000	£480,000	£757
2	2-15	2 Bed		108.8	1,171	13.8	149	Double	CRISP	£641	£750,000	£850,000	£726
2	2-16	1 Bed		61.2	659	5.0	54		PATH	£599	£395,000	£490,000	£743
2	2-17	2 Bed		77.9	838	15.4	166		PATH	£597	£500,000	£690,000	£823
2	2-18	2 Bed		85.7	923	11.8	127		PATH	£677	£625,000	£740,000	£802
2	2-19	2 Bed		106.9	1,151	7.5	81		PATH	£743	£855,000	£850,000	£738
2	2-20	3 Bed		135.7	1,460	16.5	178		RIVER	£890	£1,300,000	£1,650,000	£1,130
2	2-21	3 Bed		141.5	1,523	12.5	134	Double	RIVER	£821	£1,250,000	£1,580,000	£1,037
2	2-22	3 Bed		123.0	1,324	17.0	183	Double	RIVER	£869	£1,150,000	£1,470,000	£1,110
2	2-23	2 Bed		102.0	1,098	17.9	193		RIVER	£851	£1,935,000	£1,050,000	£956
2	2-24	Studio		41.8	450	7.1	77		INTERNAL	£744	£335,000	£400,000	£889
2	2-25	3 Bed		135.5	1,459	15.8	170	Double	RIVER	£857	£1,250,000	£1,370,000	£939
2	2-26	3 Bed		136.7	1,471	15.7	169	Double	RIVER	£867	£1,275,000	£1,370,000	£931
2	2-27	2 Bed		86.8	934	7.5	81		BRIDGE	£883	£825,000	£1,020,000	£1,092
2	2-28	2 Bed		79.6	856	15.8	170		INTERNAL	£671	£575,000	£740,000	£864
2	2-29	2 Bed		88.2	949	8.9	96		BRIDGE	£880	£835,000	£1,040,000	£1,096
3	3-1	1 Bed		60.9	655	9.7	104		BRIDGE	£824	£540,000	£590,000	£901
3	3-2	Studio		46.0	495	8.2	88		INTERNAL	£758	£375,000	£410,000	£828
3	3-3	2 Bed		73.2	788	5.8	63		BRIDGE	£889	£700,000	£830,000	£1,054
3	3-4	1 Bed		53.3	574	12.8	138		INTERNAL	£785	£450,000	£480,000	£837
3	3-5	2 Bed	Y	79.1	852	5.8	63		QCS	£763	£650,000	£870,000	£1,021
3	3-6	2 Bed		80.4	865	6.5	70	Double	BRIDGE	£850	£735,000	£870,000	£1,006
3	3-7	Studio		48.0	517	5.2	56	Double	CRISP	£648	£335,000	£430,000	£832
3	3-8	3 Bed	Y	104.4	1,124	11.2	120	Double	CRISP	£654	£735,000	£910,000	£809
3	3-9	2 Bed		89.9	968	14.1	152	Double	CRISP	£646	£625,000	£850,000	£878
3	3-10	2 Bed	Y	85.2	917	17.9	193		INTERNAL	£791	£725,000	£820,000	£894
3	3-11	Studio		39.0	420	5.0	54		CRISP	£774	£325,000	£370,000	£881
3	3-12	Studio		39.2	422	5.4	58		CRISP	£771	£325,000	£370,000	£877
3	3-13	Studio	Y	42.2	454	7.5	81		INTERNAL	£760	£345,000	£390,000	£859
3	3-14	1 Bed		50.8	547	5.4	58		CRISP	£658	£360,000	£460,000	£841
3	3-15	Studio		44.6	481	5.0	54		CRISP	£656	£315,000	£420,000	£874
3	3-16	1 Bed		51.7	557	5.0	54		CRISP	£655	£365,000	£460,000	£826
3	3-17	1 Bed		58.3	627	5.5	60		CRISP	£654	£410,000	£490,000	£781
3	3-18	1 Bed		58.9	634	5.5	60		CRISP	£655	£415,000	£500,000	£789
3	3-19	2 Bed		108.8	1,171	16.4	176	Double	CORNER	£730	£855,000	£860,000	£735
3	3-20	1 Bed		61.2	658	5.0	54		PATH	£646	£425,000	£500,000	£759
3	3-21	2 Bed		78.3	842	12.9	139	Double	PATH	£653	£550,000	£710,000	£843
3	3-22	2 Bed		85.7	923	10.9	117	Double	PATH	£677	£625,000	£750,000	£813
3	3-23	2 Bed		107.3	1,155	7.5	81		PATH/RIVER	£801	£925,000	£860,000	£744
3	3-24	3 Bed		135.7	1,460	16.5	178	Double	RIVER	£925	£1,350,000	£1,720,000	£1,178
3	3-25	3 Bed		141.5	1,523	12.5	134	Double	RIVER	£886	£1,350,000	£1,650,000	£1,083
3	3-26	3 Bed		123.0	1,324	17.9	193	Double	RIVER	£944	£1,250,000	£1,540,000	£1,163
3	3-27	2 Bed		102.0	1,098	17.0	183		RIVER	£1,001	£1,100,000	£1,100,000	£1,001
3	3-28	Studio		41.8	450	17.9	193		INTERNAL	£789	£355,000	£400,000	£889
3	3-29	3 Bed		135.5	1,459	7.1	77	Double	RIVER	£926	£1,350,000	£1,450,000	£994
3	3-30	3 Bed		136.7	1,471	15.8	170	Double	RIVER	£907	£1,335,000	£1,450,000	£986
3	3-31	2 Bed		86.8	934	15.7	169		BRIDGE	£894	£835,000	£1,070,000	£1,145
3	3-32	2 Bed		72.9	785	7.5	81		INTERNAL	£720	£565,000	£750,000	£956
3	3-33	1 Bed		51.1	550	15.8	170		INTERNAL	£772	£425,000	£500,000	£909
3	3-34	2 Bed		86.0	926	8.9	96		BRIDGE	£913	£845,000	£1,090,000	£1,177
4	4-1	3 Bed		114.3	1,230	9.5	102	Double	BRIDGE	£894	£1,100,000	£1,260,000	£1,024
4	4-2	2 Bed		73.2	788	8.2	88		BRIDGE	£920	£725,000	£840,000	£1,066
4	4-3	1 Bed	Y	64.9	699	6.1	65		INTERNAL	£787	£550,000	£580,000	£830
4	4-4	2 Bed		79.1	852	5.8	63		BRIDGE	£969	£825,000	£880,000	£1,033
4	4-5	2 Bed		80.4	865	6.5	70		BRIDGE	£954	£825,000	£890,000	£1,029
4	4-6	Studio		48.0	517	5.5	60		CRISP	£803	£415,000	£440,000	£851
4	4-7	3 Bed	Y	104.5	1,125	5.5	60	Double	CRISP	£827	£930,000	£930,000	£827
4	4-8	2 Bed		89.9	968	10.1	108		CRISP	£878	£850,000	£860,000	£888
4	4-9	2 Bed		86.0	926	11.5	124		INTERNAL	£810	£750,000	£840,000	£907
4	4-10	Studio		39.0	420	4.7	51		CRISP	£798	£335,000	£380,000	£905
4	4-11	Studio		39.2	422	5.1	55		CRISP	£794	£335,000	£380,000	£901
4	4-12	2 Bed		78.1	841	13.9	150		INTERNAL	£892	£750,000	£870,000	£928
4	4-13	1 Bed		50.8	547	5.1	54		CRISP	£932	£510,000	£470,000	£859

DESCRIPTION				NET AREA		AMENITY SPACE		ASPECT		DPA2 Values		S&P Values	
Floor	Flat No	Unit Type	Accessible	NIA (sq.m)	NIA (sq.ft)	(sq.m)	(sq.ft)	Double	View	NSA (sq.ft)	£	S&P £	S&P £psf
4	4-14	Studio		38.8	418	5.0	54		CRISP	£873	£365,000	£370,000	£885
4	4-15	2 Bed		86.0	925	16.5	177	Double	CRISP	£881	£815,000	£860,000	£930
4	4-16	1 Bed		58.3	627	5.5	60		CRISP	£997	£625,000	£500,000	£797
4	4-17	2 Bed		70.9	763	9.6	103	Double	CRISP	£911	£695,000	£730,000	£957
4	4-18	1 Bed		51.9	559	5.1	54		ROOF	£1,020	£570,000	£480,000	£859
4	4-19	1 Bed	Y	65.3	703	20.1	216		INTERNAL	£982	£690,000	£610,000	£868
4	4-20	2 Bed		70.5	758	7.5	81		ROOF	£943	£715,000	£730,000	£963
4	4-21	2 Bed	Y	96.0	1,033	24.2	261		ROOF	£866	£895,000	£950,000	£919
4	4-22	2 Bed		101.8	1,096	28.0	302		ROOF	£821	£900,000	£960,000	£876
4	4-23	2 Bed		82.1	884	5.0	54		ROOF	£820	£725,000	£770,000	£871
4	4-24	2 Bed		77.9	838	12.9	139	Double	ROOF	£805	£675,000	£720,000	£859
4	4-25	2 Bed		85.7	923	10.9	117	Double	ROOF	£813	£750,000	£770,000	£835
4	4-26	2 Bed		106.9	1,151	7.5	81		RIVER	£856	£985,000	£880,000	£765
4	4-27	3 Bed		135.7	1,460	16.5	178		RIVER	£1,010	£1,475,000	£1,800,000	£1,233
4	4-28	3 Bed		141.5	1,523	12.5	134	Double	RIVER	£919	£1,400,000	£1,730,000	£1,136
4	4-29	3 Bed		123.0	1,324	17.9	193	Double	RIVER	£963	£1,275,000	£1,620,000	£1,224
4	4-30	2 Bed		102.0	1,098	7.5	81		RIVER	£1,020	£1,120,000	£1,150,000	£1,047
4	4-31	Studio		41.8	450	7.0	75		INTERNAL	£811	£365,000	£410,000	£911
4	4-32	3 Bed		135.5	1,459	15.4	166	Double	RIVER	£960	£1,400,000	£1,520,000	£1,042
4	4-33	3 Bed		136.7	1,471	15.4	166	Double	RIVER	£935	£1,375,000	£1,520,000	£1,033
4	4-34	2 Bed		86.8	934	7.5	81		BRIDGE	£910	£850,000	£1,120,000	£1,199
4	4-35	2 Bed		72.7	782	14.1	152		INTERNAL	£812	£635,000	£770,000	£985
4	4-36	1 Bed		53.8	579	11.1	119		INTERNAL	£804	£465,000	£510,000	£881
4	4-37	2 Bed		88.1	949	8.9	96		BRIDGE	£922	£875,000	£1,140,000	£1,202
5	5-1	3 Bed		111.1	1,196	9.5	102	Double	BRIDGE	£924	£1,105,000	£1,330,000	£1,112
5	5-2	3 Bed		114.9	1,237	8.2	88		BRIDGE	£925	£1,145,000	£1,340,000	£1,083
5	5-3	1 Bed	Y	64.9	699	6.1	65		INTERNAL	£923	£645,000	£590,000	£845
5	5-4	1 Bed		72.8	784	32.2	347	Double	BRIDGE	£925	£725,000	£710,000	£906
5	5-5	2 Bed		84.4	909	12.3	133	Double	CRISP	£919	£835,000	£840,000	£924
5	5-6	2 Bed		73.3	789	14.2	153	Double	CRISP	£950	£750,000	£750,000	£950
5	5-7	2 Bed		86.2	927	11.5	124		INTERNAL	£944	£875,000	£850,000	£917
5	5-8	1 Bed		50.9	547	15.9	171		CRISP	£987	£540,000	£500,000	£913
5	5-9	2 Bed		83.7	901	8.8	95		INTERNAL	£888	£800,000	£800,000	£888
5	5-10	1 Bed		58.3	627	18.8	203		CRISP	£924	£580,000	£530,000	£845
5	5-11	2 Bed		73.8	795	12.9	139	Double	CRISP	£956	£760,000	£750,000	£944
5	5-12	3 Bed		106.6	1,147	34.0	366	Double	CORNER	£959	£1,100,000	£1,160,000	£1,011
5	5-13	1 Bed	Y	65.4	703	5.8	62		INTERNAL	£924	£650,000	£620,000	£881
5	5-14	2 Bed		70.5	758	7.5	81		ROOF	£956	£725,000	£750,000	£989
5	5-15	2 Bed	Y	96.0	1,033	13.0	139		ROOF	£895	£925,000	£970,000	£939
5	5-16	2 Bed		101.8	1,096	12.2	132		ROOF	£862	£945,000	£980,000	£894
5	5-17	2 Bed		82.1	884	5.0	54		ROOF	£849	£750,000	£790,000	£894
5	5-18	2 Bed		77.9	838	12.9	139		ROOF	£859	£720,000	£740,000	£883
5	5-19	2 Bed		85.7	923	10.9	117		ROOF	£813	£750,000	£780,000	£845
5	5-20	2 Bed		106.9	1,151	7.5	81		ROOF	£1,086	£1,250,000	£890,000	£773
5	5-21	3 Bed		135.7	1,460	16.5	178		RIVER	£1,044	£1,525,000	£1,870,000	£1,281
5	5-22	3 Bed		141.5	1,523	12.5	134		RIVER	£952	£1,450,000	£1,800,000	£1,182
5	5-23	3 Bed		123.0	1,324	17.9	193		RIVER	£1,001	£1,325,000	£1,690,000	£1,277
5	5-24	2 Bed		102.0	1,098	7.5	81		RIVER	£933	£1,025,000	£1,200,000	£1,093
5	5-25	Studio		41.8	450	7.0	75		INTERNAL	£889	£400,000	£410,000	£911
5	5-26	3 Bed		135.5	1,459	15.4	166		RIVER	£984	£1,435,000	£1,600,000	£1,097
5	5-27	3 Bed		136.7	1,471	14.4	155		RIVER	£958	£1,410,000	£1,600,000	£1,088
5	5-28	2 Bed		86.8	934	7.5	81		BRIDGE	£947	£885,000	£1,170,000	£1,252
5	5-29	2 Bed		72.9	785	14.1	152		INTERNAL	£892	£700,000	£780,000	£994
5	5-30	2 Bed		88.1	949	8.9	96		BRIDGE	£959	£910,000	£1,190,000	£1,254
6	6-1	3 Bed		137.0	1,475	66.4	715	Double	BRIDGE	£1,254	£1,850,000	£1,770,000	£1,200
6	6-2	3 Bed		154.2	1,660	35.5	382	Double	CRISP	£904	£1,500,000	£1,580,000	£952
6	6-3	2 Bed		87.0	937	11.5	124		INTERNAL	£934	£875,000	£870,000	£929
6	6-4	2 Bed		71.2	766	5.1	54	Double	CRISP	£1,025	£785,000	£790,000	£1,031
6	6-5	2 Bed		78.4	844	21.7	234	Double	CRISP	£1,025	£865,000	£840,000	£995
6	6-6	1 Bed		66.6	717	19.2	207	Double	CORNER	£976	£700,000	£670,000	£934
6	6-7	1 Bed	Y	65.4	703	7.8	83		INTERNAL	£888	£625,000	£630,000	£896
6	6-8	3 Bed		173.0	1,862	23.5	252	Double	PATH	£993	£1,850,000	£1,690,000	£907
6	6-9	3 Bed		128.7	1,385	26.9	290	Double	PATH	£975	£1,350,000	£1,320,000	£953
6	6-10	3 Bed		118.7	1,278	24.3	262	Double	PATH	£1,154	£1,475,000	£1,260,000	£986
6	6-11	3 Bed		126.0	1,357	24.8	267	Double	PATH	£1,364	£1,850,000	£1,320,000	£973
6	6-12	3 Bed		191.0	2,056	24.8	267	Double	RIVER	£1,094	£2,250,000	£2,350,000	£1,143
6	6-13	3 Bed		134.7	1,450	27.5	296	Double	RIVER	£1,000	£1,450,000	£1,870,000	£1,289
6	6-14	3 Bed		138.1	1,486	29.9	322	Double	RIVER	£1,110	£1,650,000	£1,920,000	£1,292
6	6-15	3 Bed		196.3	2,113	42.9	462	Double	RIVER	£876	£1,850,000	£2,510,000	£1,188
6	6-16	3 Bed		179.1	1,928	35.2	379	Double	RIVER	£908	£1,750,000	£2,400,000	£1,245
6	6-17	2 Bed		72.8	784	14.1	152	Double	INTERNAL	£957	£750,000	£800,000	£1,021
6	6-18	3 Bed		111.2	1,196	32.2	347		RIVER	£1,087	£1,300,000	£1,560,000	£1,304
7	7-1	3 Bed		193.0	2,078	124.2	1,337		OVER ROOF TO BRIDGE	£1,131	£2,350,000	£2,850,000	£1,372
7	7-2	3 Bed		150.2	1,616	173.2	1,865		PATH TO RIVER??	£1,237	£2,000,000	£2,100,000	£1,299
7	7-3	3 Bed		153.4	1,651	111.8	1,203		OVER ROOF TO BRIDGE	£1,363	£2,250,000	£2,350,000	£1,423
7	7-4	3 Bed		259.7	2,795	274.2	2,952	Double	RIVER	£1,163	£3,250,000	£4,000,000	£1,431
Private Market Residential Total (C3)				15,010.1	161,573	2,719.3	29,271			£887	£143,390,000	£162,180,000	£1,004

**Riverside Studios
Proposed Scheme AHS**

Summary Appraisal for Phase 1

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Residential	1	161,573	£1,004.13	£162,240,000	162,240,000
Parking	87	0	£0.00	£40,000	3,480,000
Totals	88	161,573			165,720,000

Rental Area Summary

	Units	Initial MRV/Unit	Net Rent at Sale	Initial MRV
1 Bed Ground Rents	33	£250	8,250	8,250
2 Bed Ground Rents	68	£350	23,800	23,800
3 Bed Ground Rents	46	£450	20,700	20,700
Studio Ground Rents	18	£150	2,700	2,700
Totals	165		55,450	55,450

Investment Valuation

1 Bed Ground Rents					
Current Rent	8,250	YP @	4.7500%	21.0526	173,684
2 Bed Ground Rents					
Current Rent	23,800	YP @	4.7500%	21.0526	501,053
3 Bed Ground Rents					
Current Rent	20,700	YP @	4.7500%	21.0526	435,789
Studio Ground Rents					
Current Rent	2,700	YP @	4.7500%	21.0526	56,842
					1,167,368

GROSS DEVELOPMENT VALUE 166,887,368

Income from Tenants

1 Bed Ground Rents	5,500
2 Bed Ground Rents	15,867
3 Bed Ground Rents	13,800
Studio Ground Rents	1,800
	36,967

NET REALISATION

166,924,335

OUTLAY

ACQUISITION COSTS

Residualised Price	31,352,335
Stamp Duty	4.00% 1,254,093
Agent Fee	1.00% 313,523
Legal Fee	0.50% 156,762
	33,076,714

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost
Riverside Studios	86,875	£110.00	9,556,404
Private Residential	205,384	£209.44	43,015,613
Totals	292,259		52,572,017

Contingency	5.00%	3,255,207
Demolition		1,018,000
External works		382,375
Services Infrastructure		940,000
Preliminaries		7,687,735
OHP		2,504,005
S.106		2,970,000
PIL		230,000
Mayoral CIL		1,081,450
		20,068,772

PROFESSIONAL FEES

Professional Fees	12.00%	8,203,121
		8,203,121

MARKETING & LETTING

Marketing	1.50%	2,485,800
		2,485,800

DISPOSAL FEES

Sales Agent Fee	2.00%	3,314,400
Sales Agent Fee	1.00%	11,674
Sales Legal Fee	0.50%	834,437
		4,160,511

FINANCE

Debit Rate 6.75% Credit Rate 0.00% (Nominal)		
Land		6,465,101
Construction		6,514,828
Total Finance Cost		12,979,928

TOTAL COSTS

133,546,861

PROFIT

33,377,474

**Riverside Studios
Proposed Scheme AHS****Performance Measures**

Profit on Cost%	24.99%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
Development Yield% (on Rent)	0.04%
Equivalent Yield% (Nominal)	4.75%
Equivalent Yield% (True)	4.89%

20.70%

Rent Cover	601 yrs 11 mths
Profit Erosion (finance rate 6.750%)	3 yrs 4 mths

**Riverside Studios
AUV**

Summary Appraisal for Phase 1

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Residential	1	131,370	£1,004.00	£131,895,480	131,895,480
Parking	88	34,183	£102.97	£40,000	3,520,000
Affordable Residential	1	62,635	£230.32	£14,426,000	14,426,000
Ground Rents	<u>1</u>	<u>0</u>	£0.00	£1,484,281	<u>1,484,281</u>
Totals	91	228,188			151,325,761

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Cafe Restaurant	1	13,629	£20.00	£272,580	272,580	272,580
Ground Floor Office	1	16,038	£30.00	£481,140	481,140	481,140
Gym	1	12,374	£12.00	£148,488	148,488	148,488
Cinema	<u>1</u>	<u>8,955</u>	£12.45	£111,490	<u>111,490</u>	<u>111,490</u>
Totals	4	50,996			1,013,698	1,013,698

Investment Valuation

Category	Value	Rate	Yield	Yield	Value
Cafe Restaurant					
Market Rent	272,580	YP @	6.5000%	15.3846	
(0yrs 6mths Unexpired Rent Free)		PV 0y 6m @	6.5000%	0.9690	4,063,552
Ground Floor Office					
Market Rent	481,140	YP @	6.5000%	15.3846	
(0yrs 6mths Unexpired Rent Free)		PV 0y 6m @	6.5000%	0.9690	7,172,711
Gym					
Market Rent	148,488	YP @	9.0000%	11.1111	
(1yr Unexpired Rent Free)		PV 1y @	9.0000%	0.9174	1,513,639
Cinema					
Market Rent	111,490	YP @	8.0000%	12.5000	
(0yrs 6mths Unexpired Rent Free)		PV 0y 6m @	8.0000%	0.9623	1,341,013
					14,090,915

GROSS DEVELOPMENT VALUE 165,416,676

Purchaser's Costs 5.80% (772,470)
NET DEVELOPMENT VALUE 164,644,206

NET REALISATION 164,644,206

OUTLAY

ACQUISITION COSTS

Residualised Price			33,546,422	
Stamp Duty	4.00%		1,341,857	
Agent Fee	1.00%		335,464	
Legal Fee	0.50%		167,732	
				35,391,475

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost
Cafe Restaurant	13,629	£166.70	2,271,972
Ground Floor Office	22,233	£196.38	4,366,162
Private Residential	161,786	£168.92	27,328,122
Parking	34,183	£172.06	5,881,565
Affordable Residential	77,068	£131.52	10,135,983
Totals	308,899	49,983,804	49,983,804

Contingency	5.00%		3,104,888	
Demolition			943,000	
External works			382,375	
Services Infrastructure			1,151,000	
Preliminaries			7,269,720	
OHP			2,367,852	
S.106			3,636,000	
CIL			1,005,159	
				19,859,994

PROFESSIONAL FEES

Professional Fees	12.00%		7,824,317	
				7,824,317

MARKETING & LETTING

Marketing	1.50%		2,242,596	
Letting Agent Fee	15.00%		152,055	
Letting Legal Fee	10.00%		101,370	
				2,496,020

DISPOSAL FEES

Sales Agent Fee	2.00%		2,708,310	
Sales Agent Fee	1.00%		292,287	
Sales Legal Fee	0.50%		823,221	
				3,823,818

FINANCE

Debit Rate 6.75% Credit Rate 0.00% (Nominal)			
Land			6,894,731
Construction			5,241,218

Riverside Studios**AUV**

Other	45,495	
Total Finance Cost		12,181,444
TOTAL COSTS		131,560,872
PROFIT		33,083,334

Performance Measures

Profit on Cost%	25.15%
Profit on GDV%	20.00%
Profit on NDV%	20.09%
Development Yield% (on Rent)	0.77%
Equivalent Yield% (Nominal)	6.92%
Equivalent Yield% (True)	7.23%
	20.93%
Rent Cover	32 yrs 8 mths
Profit Erosion (finance rate 6.750%)	3 yrs 4 mths

	total	submitted	discharged	outstanding
NOTE: Includes NMAT Conditions listed on Page 14.				
Prior to Demolition works	3	3	3	0
Prior to Commencement of development	27	27	27	0
On completion of bulk excavation works	2	2	0	0
Prior to Commencement / Installation of relevant part(s)	7	7	6	0
Prior to Commencement / Installation of relevant part(s) (RST team to action)	4	2	1	2
Within 6 months of Commencement (RST team to action)	2	2	0	0
Prior to First Occupation	4	2	1	2
Compliance (to note only)	25	-	-	-

Conditions are turned **YELLOW** when application submitted

Conditions are turned **GREEN** when application approved and discharged

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
8. Construction Logistics Plan – No demolition work shall commence prior to the submission and approval in writing by the Council of a construction logistics plan (in accordance with Transport for London guidelines), which shall include details of the steps to be taken to re-use and recycle waste, details of site enclosure throughout construction avoidance of impact on nesting birds, and details of the measures proposed to minimise the impact of the construction processes on the existing amenities of the occupiers of neighbouring properties, including monitoring and control measures for dust, noise, vibration, lighting and working hours, waste classification and disposal procedures and locations, and the measures proposed to prevent the passage of mud and dirt onto the highway by vehicles entering and leaving the site in connection with the demolition and construction processes. It should set out how the flood defences will be maintained to the statutory level of 5.54m AOD throughout demolition and construction. All construction and demolition works shall be carried out in accordance with the approved details.	Prior to Demolition	Mount Anvil (4PA to submit info)	08/07/2014	08/07/2014	Registered 21/07/2014	2014/03334/DET	12/11/2014 (Partial discharge for Demolition Phase works only).
				(Phase 3 document submitted 26/03/2015)	Registered 27/03/2015	2015/01586/DET	30/04/2015 (Full discharge)

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
9. Demolition Method Statement & Construction Management Plan – Prior to commencement of demolition works, a demolition method statement and a construction management plan shall be submitted to and approved in writing by the Council. Details shall include control measures for dust, noise, vibration, lighting, delivery locations, restriction of hours of work and all associated activities audible beyond the site boundary to 08.00-18.00hrs Mondays to Fridays and 08.00-13.00hrs on Saturdays, advance notification to neighbours and other interested parties of proposed works and public display of contact details including accessible phone contact to persons responsible for the site works for the duration of the works. Approved details for each relevant plot shall be implemented throughout the project period.	Prior to Demolition	Mount Anvil / Demolition Contractor (4PA to submit info)	08/07/2014	08/07/2014	Registered 21/07/2014	2014/03343/DET	12/11/2014 (Partial discharge for Demolition Phase works only).
				(CEMP document submitted 26/03/2015)	Registered 27/03/2015	2015/01585/DET	30/04/2015 (Full discharge)
56. Strategy for maximising River Thames to transport materials – Prior to commencement of demolition works, a strategy that seeks to maximise the use of the River Thames for the transport of construction and waste materials to and from the site shall be submitted to and approved in writing by the Council, with the works to be carried out in accordance with the approved strategy. All construction and demolition works shall be carried out in accordance with the approved details.	Prior to Demolition	Mount Anvil (4PA to submit info)	08/07/2014	08/07/2014	Registered 21/07/2014	2014/03344/DET	12/11/2014
3. Details / Samples of External Facing Materials – Prior to the commencement of the development, details and samples of materials to be used on all external faces of the buildings, and all surface treatments shall be submitted to and approved in writing by the Local Planning Authority. No part of the development shall be used or occupied prior to the implementation of the approved details. Samples panels shall be erected onsite for the inspection by the Council's Conservation Officer prior to commencement of the relevant part of the development. The development shall be carried out in accordance with such details as have been approved.	Prior to commencement	Mount Anvil / 4PA	26/09/2014	30/09/2014	13/11/2014	2014/04779/DET	04/05/2016
4. Hard & Soft Landscaping – Details of hard and soft landscaping, including planting schedules and details of the species, height and maturity of any trees and shrubs and proposed landscape maintenance shall be submitted to the Council for approval prior to commencement of development. The approved scheme shall be implemented in the next winter planting season following completion of the building works, or before the occupation and use of any part of the buildings, whichever is the earlier, and the landscaping shall thereafter be retained and maintained in accordance with the approved details.	Prior to commencement	Modular	26/09/2014	02/10/2014	13/11/2014	2014/04793/DET	18/08/2015
5. Detailed Drawings – The development shall not commence before the detailed drawings at a scale no less than 1:20 in plan, section and elevation of a typical bay of each elevation to show details of any proposed cladding, fenestration, glazing, balconies and winter gardens have been submitted and approved in writing by the Local Planning Authority. The development shall be carried out in accordance with the approved details.	Prior to commencement	4PA	26/09/2014	30/09/2014	13/11/2014	2014/04779/DET	04/05/2016

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
<p>10. Archaeological Scheme for Investigation – No development shall take place until the applicant has secured the implementation of a programme of archaeological work across the site in accordance with a written scheme for investigation which has been submitted by the applicant and approved by the Council. The scheme shall make provision for:</p> <p>a) a programme of excavation and trial trenching; b) the assessment of the results from all investigations, and proposals for their publication; c) the publication of the results: and d) the deposition of the site archive.</p> <p>The archaeological works shall be carried out by a suitably qualified investigating body acceptable to the Council in accordance with the approved details.</p>	Prior to commencement	Mount Anvil / Specialist	17/09/2014	30/09/2014 (Amended Report submitted 13/01/2015) (Watching Brief dated April 2015 submitted 07/05/2015 to agree Parts b, c and d)	13/11/2014 08/05/2015	2014/04771/DET 2015/02171/DET	11/02/2015 (Partial discharge for Stage 1 works only). 10/06/2015 (Full Discharge)
<p>17. Energy Strategy – Prior to the commencement of the development, details of compliance with the approved Energy Strategy for the development, which will include details of an acceptable location for the CCHP units, shall be submitted to and approved in writing by the Council. The development shall be implemented in accordance with the details as approved.</p>	Prior to commencement	WSP M&E	26/09/2014	30/09/2014 (Additional / amended info submitted 10/12/2014 & 13/07/2015)	13/11/2014	2014/04774/DET	20/08/2015
<p>19. Refuse & Recycling Arrangements – Details of the refuse arrangements including storage, collection and recycling for all uses shall be submitted to and approved in writing by the Council prior to the commencement of the development. The approved details shall be implemented prior to the use or occupation of the relevant part of the development and shall be maintained permanently thereafter.</p>	Prior to commencement	4PA	19/09/2014	02/10/2014 (Additional info submitted 08/12/2014, 07/08/2015 & 21/08/2015)	13/11/2014	2014/04790/DET	22/10/2015
<p>20. Preliminary Risk Assessment (Contamination) – No development shall commence until a Preliminary Risk Assessment Report, in connection with land contamination, is submitted to and approved in writing by the Council, unless otherwise agreed in writing by the local planning authority. This report shall comprise:</p> <p>a) a desktop study which identifies all current and previous uses at the site and surrounding area as well as the potential contaminants associated with those uses b) a site reconnaissance c) a conceptual model indicating potential pollutant linkages between sources, pathways and receptors, including those in the surrounding area and those planned at the site d) a qualitative risk assessment of any potentially unacceptable risks arising from the identified pollutant linkages to human health, controlled waters and the wider environment including ecological receptors and building materials.</p> <p>All works must be carried out in compliance with and by a competent person who conforms to CLR 11: Model Procedures for the Management of Land Contamination (Defra 2004) or the current UK requirements for sampling and testing (<i>Note: This statement / requirement applies to Conditions 20-25</i>).</p>	Prior to commencement	Specialist / Mount Anvil	17/09/2014	02/10/2014	13/11/2014	2014/04787/DET	14/01/2015

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
21. Site Investigation Scheme (Contamination) – No development shall commence until a Site Investigation Scheme, in connection with Condition 20, is submitted to and approved in writing by the Council unless otherwise agreed in writing with the local planning authority. This scheme shall be based upon and target the risks identified in the approved preliminary risk assessment and shall provide provisions for, where relevant, the sampling of soil, soil vapour, ground gas, surface and groundwater.	Prior to commencement	Specialist / Mount Anvil	17/09/2014	02/10/2014	13/11/2014	2014/04787/DET	14/01/2015
22. Quantitative Risk Assessment (Contamination) – No development shall commence (or unless the Council agree in writing that a set extent of development must commence to enable compliance with this condition) until, following a site investigation undertaken in compliance with the approved Site Investigation Scheme as part of Condition 21, a Quantitative Risk Assessment Report is submitted to and approved in writing by the Council. This report shall: assess the degree and nature of any contamination identified on the site through the site investigation; include a revised conceptual site model from the preliminary risk assessment based on the information gathered through the site investigation to confirm the existence of any remaining pollutant linkages and determine the risks posed by any contamination to human health, controlled waters and the wider environment.	Prior to commencement	Specialist / Mount Anvil	17/09/2014	02/10/2014	13/11/2014	2014/04787/DET	14/01/2015
23. Remediation Method Statement (Contamination) – No development shall commence (or unless the Council agree in writing that a set extent of development must commence to enable compliance with this condition) until, a Remediation Method Statement, in connection with Condition 22, is submitted to and approved in writing by the Council. This statement shall detail any required remediation works and shall be designed to mitigate any remaining risks identified in the approved Quantitative Risk Assessment.	Prior to commencement	Specialist / Mount Anvil	28/01/2015	30/01/2015	02/02/2015	2015/00461/DET	05/02/2015
24. Verification Report (Contamination) – No development shall commence (unless the Council agree in writing that a set extent of development must commence to enable compliance with this condition) until the approved Remediation Method Statement in connection with Condition 23 has been carried out in full and a Verification Report confirming these works has been submitted to, and approved in writing, by the Council. This report shall include: details of the remediation works carried out; results of any verification sampling, testing or monitoring including the analysis of any imported soil; all waste management documentation showing the classification of waste, its treatment, movement and disposal; and the validation of gas membrane placement. If, during development, contamination not previously identified is found to be present at the site, the Council is to be informed immediately and no further development (unless otherwise agreed in writing by the Council) shall be carried out until a report indicating the nature of the contamination and how it is to be dealt with is submitted to, and agreed in writing by, the Council. Any required remediation shall be detailed in an amendment to the Remediation Statement and verification of these works included in the Verification Report.	On Completion of Bulk Excavation Works	WSP Geotechnical (Report to be submitted once excavation works are complete and any contamination is evidenced).	12/05/2016	12/05/2016	TBC	TBC	TBA
25. Onward Long-term Monitoring Methodology Report (Contamination) – No development shall commence (unless the Council agree in writing that a set extent of development must commence to enable compliance with this condition) until an Onward Long-term Monitoring Methodology Report, in connection with Condition 24, is submitted to and approved in writing by the Council where further monitoring is re-quired past the completion of development works to verify the success of the remediation undertaken. A verification report of these monitoring works shall then be submitted to and approved in writing by the Council when it may be demonstrated that no residual adverse risks exist.	On Completion of Bulk Excavation Works	WSP Geotechnical (Report to be submitted once excavation works are complete and any contamination is evidenced).	12/05/2016	12/05/2016	TBC	TBC	TBA

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
27. Enhanced Sound Insulation (between residential units) – Prior to commencement of the development, details shall be submitted to and approved in writing by the Council, of an enhanced sound insulation value DnT,w and L'nT,w for the floor / ceiling / wall structures separating different types of rooms / uses in adjoining dwellings, namely living room and kitchen adjoining bedroom of separate dwelling. The enhanced values shall be 5dB more stringent than the requirements of Approved Document E. Approved details shall be implemented prior to occupation of the relevant part of development and thereafter be permanently retained.	Prior to commencement	Sandy Brown	26/09/2014	30/09/2014	13/11/2014	2014/04778/DET	12/02/2015
28. Building Vibration Levels – Prior to commencement of the development, details shall be submitted to and approved in writing by the Council, of building vibration levels, together with appropriate mitigation measures where necessary. The criteria to be met and the assessment method shall be as specified in BS 6472:2008. The relevant part of the development shall not be occupied until the approved details have been implemented. Approved details shall thereafter be permanently retained.	Prior to commencement	Sandy Brown	26/09/2014	30/09/2014	13/11/2014	2014/04778/DET	12/02/2015
29. Plant / Machinery / Equipment Noise Levels – Prior to commencement of the development details shall be submitted to and approved in writing by the Council, of the external noise level emitted from plant / machinery / equipment. The measures shall ensure that the external noise level emitted from plant / machinery / equipment will be lower than the lowest existing background noise level by at least 10dBA, by 15dBA where the source is tonal, as assessed according to BS4142:1997 at the nearest and / or most affected noise sensitive premises, with all machinery operating together at maximum capacity. A post installation noise assessment shall be carried out where required to confirm compliance with the noise criteria and additional steps to mitigate noise shall be taken, as necessary. Approved details shall be implemented prior to occupation of the development and thereafter be permanently retained.	Prior to commencement	Sandy Brown	03/11/2014	27/11/2014 (Additional info submitted 08/01/2015 & 17/03/2016)	28/11/2014	2014/05697/DET	15/04/2016
32. Artificial / External Lighting – Prior to commencement of the development, details shall be submitted to and approved in writing by the Council, in consultation with the Port of London Authority, of any artificial or external lighting. Details shall demonstrate that the recommendations of the Institution of Lighting Engineers in the 'Guidance Notes For The Reduction Of Light Pollution 2011' will be met with regard to glare, sky glow and illuminance of neighbouring facades. Approved details shall be implemented prior to occupation of the development and thereafter be permanently retained.	Prior to commencement	WSP M&E	03/11/2014	27/11/2014 (Additional info submitted 01/04/2015, 25/08/2015, 12/10/2015 & 10/12/2015)	28/11/2014	2014/05698/DET	29/02/2016
36. Surface Water Drainage Scheme – Prior to the commencement of the development, a surface water drainage scheme for the site, based on sustainable drainage principles and an assessment of the hydrological and hydrogeological context of the development, shall be submitted to, and approved in writing, by the local planning authority. The Scheme shall include details of the maintenance programme to be implemented to ensure SUDS measures operate as outlined in the FRA for the lifetime of the development. The scheme shall be prepared in accordance with the Proposed Surface Water Drainage Strategy included in the FRA prepared by Consulting Ref: 5001-UA006131-GDR-03. The scheme shall subsequently be implemented in accordance with the approved details before the development is completed.	Prior to commencement	WSP Civils & Structures	26/09/2014	30/09/2014	13/11/2014	2014/04773/DET	14/01/2015
37. Raised Flood Defence Proposals – Prior to the commencement of the development, an assessment of how the flood defences can be raised in the event of sea level rise from climate change, shall be submitted to, and approved in writing, by the local planning authority. The assessment should show that the defences can be raised by at least 600mm without creating adverse environmental or structural impacts, encroaching into the river channel, being disproportionate to the scale of the development, or incurring excessive costs.	Prior to commencement	MA / Beckett Rankine	17/09/2014	02/10/2014 (Additional info submitted 29/07/2015)	13/11/2014	2014/04794/DET	20/08/2015

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
44. Cycle Parking Provision – Prior to the commencement of the development, details of the proposed cycle parking provision shall be submitted to and approved in writing by the Council. The development shall accord with the details as approved, and the cycle parking shall be installed prior to occupation and retained thereafter.	Prior to commencement	4PA	19/09/2014	02/10/2014 (Additional info submitted 08/12/2014, 07/08/2015 & 21/08/2015)	13/11/2014	2014/04790/DET	22.10.2015 (24 visitor spaces at Ground Level to be agreed separately by RST Travel Plan)
46. Habitat Scheme – Prior to the commencement of development, a proposed habitat enhancement scheme and habitat management plan, including long-term design objectives, management responsibilities and maintenance schedules for all landscaped areas (except privately owned domestic gardens) and ecological habitat, shall be submitted to and approved in writing by the local planning authority. The habitat management plan shall be carried out as approved and any subsequent variations shall be agreed in writing by the local planning authority.	Prior to commencement	Ecologist / Mount Anvil	17/09/2014	02/10/2014 (Additional & amended info submitted on 18/12/2014 & 02/03/2015, specifically for related Condition 62)	13/11/2014	2014/04789/DET	14/07/2015
47. Drainage Strategy – Development shall not commence until a drainage strategy detailing any on and / or off site drainage works, has been submitted to and approved by, the local planning authority in consultation with the sewerage undertaker. No discharge of foul or surface water from the site shall be accepted into the public system until the drainage works referred to in the strategy have been completed.	Prior to commencement	WSP Civils & Structures	26/09/2014	30/09/2014 (Amended info submitted on 08/12/2014)	13/11/2014	2014/04777/DET	08/01/2015
49. Ramp gradient & width details – The development hereby permitted shall not commence until details of the gradient and width of the proposed ramp(s) have been submitted and approved by the Council. The ramp shall be completed in accordance with the approved plans before the development is occupied or used.	Prior to commencement	4PA	19/09/2014	02/10/2014 (Additional info submitted 08/12/2014, 07/08/2015, 21/08/2015 & 15/09/2015)	13/11/2014	2014/04788/DET	23/09/2015
62. Inter-tidal Ecological Enhancements to River Wall – No development shall take place until a scheme for the provision and management of inter-tidal ecological enhancements to the river wall has been submitted to and approved in writing by the Local Planning Authority. The scheme shall include details of the enhancements proposed and an assessment of the impact of scour on the foreshore, resulting from the outfalls. The scheme shall also include details of scour protection, if the assessment shows that it is required. Thereafter the development shall be implemented in accordance with the approved scheme.	Prior to commencement	Mount Anvil / Ecologist	17/09/2014	02/10/2014 (Additional & amended info submitted on 18/12/2014 & 02/03/2015)	13/11/2014	2014/04789/DET	14/07/2015
63. Flood Defence Improvements – Prior to the commencement of the development, a scheme outlining how the life of the flood defence will be improved to the expected 100 year life of the development, shall be submitted to, and approved in writing, by the Local Planning Authority. The scheme shall include a method statement detailing how the defence will be maintained to the statutory level of 5.54m AOD throughout the demolition, construction and subsequent occupation, including any temporary works to the defence. Thereafter the development shall be carried out in accordance with the approved scheme and any subsequent amendments shall be agreed in writing with the Local Planning Authority.	Prior to commencement	Mount Anvil / WSP Civils & Structures / Beckett Rankine	17/09/2014	30/09/2014	13/11/2014	2014/04775/DET	08/01/2015

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
64. Sound Insulation (from neighbouring dwellings) – Prior to commencement of the development, details shall be submitted to and approved in writing by the Council, of the sound insulation of the floor / ceiling / walls separating the plant rooms, including substations, and car park from neighbouring dwellings. Details shall demonstrate that the sound insulation value DnT,w is enhanced by at least 10dB above the Building Regulations value and, where necessary, additional mitigation measures are implemented to contain commercial noise within the commercial premises and to achieve the ‘Good’ criteria of BS8233:1999 within the dwellings / noise sensitive premises. Approved details shall be implemented prior to occupation of the development and thereafter be permanently retained.	Prior to commencement	Sandy Brown	26/09/2014	02/10/2014	13/11/2014	2014/04778/DET	12/02/2015
65. Sound Insulation (separating commercial parts from dwellings) – Prior to commencement of the development, details shall be submitted to and approved in writing by the Council, of the sound insulation of the floor / ceiling / walls separating the commercial parts of the premises from dwellings. Details shall demonstrate that the sound insulation value DnT,w is enhanced by at least 10dB above the Building Regulations value and, where necessary, additional mitigation measures are implemented to contain commercial noise within the commercial premises and to achieve the ‘Good’ criteria of BS8233:1999 within the dwellings. Approved details shall be implemented prior to occupation of the development and thereafter be permanently retained.	Prior to commencement	Sandy Brown	26/09/2014	02/10/2014	13/11/2014	2014/04778/DET	12/02/2015
70. Ground or Enabling Works details – Prior to commencement of the development hereby approved, details of the ground or enabling works including any demolition shall be submitted to and approved in writing by the Local Planning Authority. Development shall proceed in accordance with the approved enabling works plan unless otherwise agreed in writing by the Local Planning Authority.	Prior to commencement	Mount Anvil	17/09/2014	30/09/2014 (Amended info submitted on 11/12/2014)	13/11/2014	2014/04772/DET	19/02/2015
71. Television Interference – Details of the methods proposed to identify any television interference caused by the proposed development, including during the construction process, and the measures proposed to ensure that television interference that might be identified is remediated in a satisfactory manner shall be submitted to and approved in writing by the local planning authority before commencement of works, save for the approved enabling works. The approved remediation measures shall be implemented immediately after any television interference is identified.	Prior to commencement	Specialist / Mount Anvil	17/09/2014	02/10/2014	13/11/2014	2014/04792/DET	29/01/2015
13. Lifetime Homes Standards and 10% Wheelchair provision – Prior to the commencement of the residential part of the development, details of compliance with Lifetime Homes Standards for the residential units and of the provision of 10% of the residential units to Wheelchair Housing standard or accessible to this standard, shall be submitted to and approved in writing by the Council. Development shall accord with the details as approved.	Prior to commencement / installation of relevant part(s)	4PA	26/09/2014	02/10/2014 (Additional info submitted 22/06/2015)	13/11/2014	2014/04795/DET	14/07/2015
16. Green / Brown Roofs – Prior to the commencement of work on the relevant part of the development, details of green / brown roofs, including planting and maintenance schedules, and ecological enhancement measures for that part of the development shall be submitted to and approved in writing by the Local Planning Authority. Development shall accord with the details as approved.	Prior to commencement / installation of relevant part(s)	Modular	Jan 2016	19/01/2016	21/01/2016	2016/00307/DET	29/02/2016
26. Anti-Vibration Measures – Prior to installation of the plant equipment, details of anti-vibration measures shall be submitted to and approved in writing by the Council. The measures shall ensure that machinery, plant / equipment, extract / ventilation system and ducting are mounted with proprietary anti-vibration isolators and fan motors are vibration isolated from the casing and adequately silenced. Approved details shall be implemented prior to occupation of the development and thereafter be permanently retained.	Prior to commencement / installation of relevant part(s)	Sandy Brown / WSP M&E	March 2016	29/03/2016	01/04/2016	2016/01416/DET	05/05/2016

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
34. River Walk details – Prior to the commencement of the relevant part of the development, details of the proposed River Walk, including whether the walkway stops or provides a return journey, shall be submitted to and approved in writing by the Council. The River Walk shall be constructed in accordance with the Council’s Streetsmart Guide.	Prior to commencement / installation of relevant part(s)	4PA / WSP Civils & Structures	07/11/2014	27/11/2014 (Additional & amended info submitted 13/07/2015 & 15/02/2016)	28/11/2014	2014/05705/DET	04/05/2016
45. River Walk Safety Measures & Equipment – Details of the provision of lifesaving equipment, grab chains or similar, riverside ‘furniture’, means of access / egress to and from the water bodies and measures to delineate the river edge and reasonably prevent persons or property from falling into the water shall be consistent with flood defence details approved pursuant to Conditions 37 and 63 and shall be submitted to and approved in writing by the local authority. Such measures shall be installed in accordance with the approved details prior to public access to the riverside edges, and thereafter retained.	Prior to commencement / installation of relevant part(s)	Mount Anvil / Beckett Rankine	14/11/2014	27/11/2014 (Amended info submitted 13/07/2015)	28/11/2014	2014/05703/DET	20/08/15
51. Outdoor Play-Space details – Prior to the construction of the central courtyard, a scheme detailing the play equipment, boundary treatments and ground surface treatment of the outdoor play spaces shall be submitted to the local planning authority and approved in writing. Any play equipment will be designed to be fully inclusive to ensure the play areas are accessible to all and will be implemented in accordance with the approved plans, to be permanently retained thereafter.	Prior to commencement / installation of relevant part(s)	Modular	10/11/2015	27/11/2015 (Additional info submitted on 11/05/2015)	01/12/2015	2015/05730/DET	TBA
68. Corridor separation details (2nd floor) – Prior to commencement of the relevant part of the development, details of the permanent separation between corridors servicing cores C - D and E - D, on the second floor shall be submitted to and approved in writing by the Council.	Prior to commencement / installation of relevant part(s)	4PA	26/09/2014	02/10/2014 (Amended info submitted 24/06/2015)	13/11/2014	2014/04791/DET	24/09/2015
58. Studios Signage – No later than 6 months after commencement of development, details of the signage for Riverside Studios should be submitted and approved in writing by the Local Planning Authority. The development shall be carried out in accordance with these details. (Condition reworded within 2014/04247/NMAT approval)	Within 6 months commencement / RIVERSIDE TRUST TEAM TO ACTION	Riverside Trust Team	March 2016	17/03/2016	21/03/2016	2016/01310/DET	TBA
59. Scene Dock Gates & Wall Details – No later than 6 months after commencement of development details of the gates to the scenic dock and the internal walls (of the docking area) at a scale of no less than 1:20 in plan, section and elevation shall be submitted and approved in writing by the Local Planning Authority in consultation with the Greater London Authority. The development shall be carried out in accordance with these details. (Condition reworded within 2014/04247/NMAT approval)	Within 6 months commencement / RIVERSIDE TRUST TEAM TO ACTION	Riverside Trust Team	March 2016	15/03/2016	21/03/2016	2016/01228/DET	TBA
30. Odour Abatement Equipment & Extract System – Prior to commencement of works on the replacement arts and entertainment facility, details of the installation, operation, and maintenance of the best practicable odour abatement equipment and extract system shall be submitted to and approved in writing by the Local Planning Authority, including the height of the extract duct and vertical discharge outlet, in accordance with the ‘Guidance on the Control of Odour and Noise from Commercial Kitchen Exhaust Systems’ January 2005 by DEFRA. Approved details shall be implemented prior to occupation of the relevant part of the development and thereafter be permanently retained, unless subsequently otherwise approved in writing by the Local Planning Authority.	Prior to commencement / installation of relevant part(s) RIVERSIDE TRUST TEAM TO ACTION	Riverside Trust Team	07/11/2014	27/11/2014 (Amended info submitted on 03/03/2015)	28/11/2014	2014/05706/DET	28/05/2015

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
33. Artificial Lighting to any illuminated sign / advertisement – Prior to the display of any illuminated sign / advertisement, details shall be submitted to and approved in writing by the Council, of artificial lighting. Details shall demonstrate that the recommendations of the Institution of Lighting Engineers in the ‘Guidance Notes For The Reduction Of Light Pollution 2005’ will be met, particularly with regard to the ‘Technical Report No 5, 1991 - Brightness of Illuminated Advertisements. Approved details shall be implemented prior to use / occupation of the development and thereafter be permanently retained.	Prior to commencement / installation of relevant part(s) RIVERSIDE TRUST TEAM TO ACTION	Riverside Trust Team	March 2016	April 2016			
60. Arts Centre Facility Layouts – Prior to the commencement of the development of the replacement arts centre facility, details of the basement, ground and first floor layouts identifying the flexible theatre, performance / TV studio spaces and cinema as well as all ancillary facilities (front and back-of-house including bar / cafe and restaurant) shall be submitted to and approved in writing by the local planning authority acting in consultation with The Theatres Trust. The development shall be completed in accordance with the approved details unless otherwise agreed in writing by the local planning authority.	Prior to commencement / installation of relevant part(s) RIVERSIDE TRUST TEAM TO ACTION	Riverside Trust Team	Jan 2016	19/01/2016	21/01/2016	2016/00309/DET	TBA
61. Arts Centre Facility Schedule of Works & Specification – Prior to the commencement of the development (fitting-out) of the replacement arts centre facility, a detailed schedule of works and specification for the arts centre (including back and front-of-house facilities as well as all ancillary areas) together with technical and electrical installations, fixtures, fittings and seating shall be provided and submitted by the tenant. This will be approved in writing by the local authority in consultation with The Theatres Trust.	Prior to commencement / installation of relevant part(s) RIVERSIDE TRUST TEAM TO ACTION	Riverside Trust Team	March 2016	April 2016			
14. Secured-by-Design statement – Prior to first occupation of the residential use or of the replacement arts and entertainment facility, a statement of how “Secured by Design” requirements are to be adequately achieved for the relevant part of the development, shall be submitted to and approved in writing by the Local Planning Authority. The approved secure by design measures shall be implemented in accordance with the approved statement prior to occupation of the relevant part of the development hereby approved.	Prior to first occupation	4PA / Mount Anvil	March 2016	April 2016			
18. CfSH & BREEAM Reports – Prior to first occupation of the residential parts of development, a report confirming that the residential units meet the requirements of Level 4 of the Code for Sustainable Homes shall be submitted to and approved in writing by the Council, and prior to the opening of the replacement arts facility including the restaurant / cafe and offices a report confirming that a BREEAM rating of very good for the non-residential uses shall be submitted to and approved in writing by the Council.	Prior to first occupation	WSP M&E for CfSH	Dec 2015	21/12/2015	24/12/2015	2015/06111/DET	TBA
		WSP M&E for BREEAM	March 2016	April 2016 commercial			
42. Electric Vehicle Charging Points – Prior to first occupation of the development, details of the installation including location and type of active electric vehicle charging points within the basement car park must be submitted to and approved in writing by the Council. The electric vehicle charging points comprising at least 20% of the total number of residential car parking spaces provided shall be active electric vehicle charging points; a further 20% of the total number of residential car parking spaces provided shall be passive. The approved electric vehicle charging points shall be installed and retained in working order for the lifetime of the relevant development. The use of the electric vehicle charging points will be regularly monitored via the Travel Plan and if required the further 20% passive provision will be made available.	Prior to first occupation	WSP M&E	Jan 2016	19/01/2016	21/01/2016	2016/00308/DET	04/05/2016
1. 3 years expiration – The development hereby permitted shall not commence later than the expiration of 3 years beginning with the date of this planning permission.	Controlling Condition	Mount Anvil to note					Not Applicable

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
2. Approved Drawings – The development shall be carried out and completed in accordance with the following plans submitted: A2423 4-198 P3; MA-RSS-P-199-P0; MA-RSS-P-200-P4; MA-RSS-P-201-P2; MA-RSS-P-202-P2; MA-RSS-P-203-P1; MA-RSS-P-204-P0; MA-RSS-P-205-P0; MA-RSS-P-206-P0; MA-RSS-P-207-P0; A2423 4-208 P1; A2423 4-400 P11; MA-RSS-P-401 P0; MA-RSS-P-402-P1; A2423 4-403 P12; A2423 4-404 P9; A2423 405 P3; A2423 4-300 P14; MA-RSS-P-301 P0; A2423 4-302 P15; MA-RSS-P-303 P0; A2423 4-304 P7; MA-RSS-P-305 P0; A2423 4-306 P7	Controlling Condition (Drawing list has been updated to accord with 2014/04247/ NMAT approval)	Mount Anvil to note					Not Applicable
6. Temporary land uses / fences / enclosures / structures – Details of any temporary land uses, fencing, enclosures or structures including sales/marketing suites within the site shall be submitted to and approved in writing by the Local Planning Authority prior to the commencement of the relevant part(s) of the development. Any interim structures, uses and buildings shall be implemented in accordance with the approved details, for a specified time period set out in the details and shall be discontinued / removed once the temporary period has been expired.	Controlling Condition (LBH&F have confirmed this condition does not require written approval)	Mount Anvil to note		Application was submitted on 21/12/2015, but later confirmed as Not Applicable	24/12/2015	2015/06110/DET	Not Applicable (Application was confirmed as having been withdrawn on 15/04/2016)
7. Replacement landscaping – Any tree or shrub planted pursuant to approved landscape details that is removed or severely damaged, dying or becoming seriously diseased within 5 years of planting shall be replaced with a new tree or shrub of similar size and species to that originally required to be planted.	Controlling Condition	Mount Anvil to note					Not Applicable
11. Archaeological excavation and trial trenching – No development shall take place other than in accordance with the Written Scheme of Investigation approved under Condition 10 until the excavation and trial trenching have been completed.	Controlling Condition	Mount Anvil to note					Not Applicable
12. Plumbing / Flues on Elevations – No plumbing, extract flues or pipes shall be fixed on the external elevations of the detailed part of the development hereby approved, other than any rainwater pipes shown on the approved plans.	Controlling Condition	Mount Anvil / 4PA to note					Not Applicable
15. Advertisements – No advertisements shall be displayed on or within any elevation of the buildings, new river terrace or river walk without details of the advertisements having first been submitted to and agreed in writing by the Council.	Controlling Condition	Mount Anvil / Riverside Trust to note					Not Applicable
31. Audible music / amplified voices – Neither music nor amplified loud voices emitted from the non-residential part of the development shall be audible at any residential / noise sensitive premises.	Controlling Condition	Mount Anvil / Riverside Trust to note					Not Applicable
35. Flood Mitigation Measures – The development shall be carried out in accordance with the approved Flood Risk Assessment (FRA) prepared by Hyder Consulting Ref: 5001-UA006131-GDR-03 and the following mitigation measures detailed therein: 1) The finished floor levels of the residential units shall be set no lower than the 1 in 200 year flood level in the River Thames of 5.08m AOD. 2) Repairs to the flood defence shall be carried out as indicated in the Schedule of Repairs prepared by Beckett Rankine (dated August 2013). The mitigation measures shall be fully implemented prior to occupation and subsequently in accordance with the timing arrangements embodied within the scheme, or within any other period as may subsequently be agreed, in writing, by the local planning authority.	Controlling Condition	Mount Anvil / WSP / 4PA to note					Not Applicable
38. 6m clear access strip – A clear access strip of 6m width shall be provided adjacent to the River Thames to allow access for maintenance purposes.	Controlling Condition	Mount Anvil / WSP / 4PA to note					Not Applicable

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
39. Material Changes to external appearance – Any material changes to the external appearance of the building, including the installation of air-handling units, ventilation fans or extraction equipment, must first be submitted and approved in writing by the Local Planning Authority prior to their installation.	Controlling Condition	Mount Anvil / Riverside Trust to note					Not Applicable
40. No Roller Shutters – No roller shutters shall be installed on any facade or shopfront hereby approved.	Controlling Condition	Mount Anvil to note					Not Applicable
41. Penetrative Piling / Foundation methods – Piling or any other foundation designs using penetrative methods shall not be permitted other than with the express written consent of the Local Planning Authority, which may be given for those parts of the site where it has been demonstrated that there is no resultant unacceptable risk to groundwater. The development shall be carried out in accordance with the approved details.	Controlling Condition	Mount Anvil / WSP to note					Not Applicable
43. Wheelchair Car Parking – A minimum of 10% of the residential car parking spaces approved shall be provided and maintained for use of wheelchair users.	Controlling Condition	Mount Anvil / 4PA to note					Not Applicable
48. Historic Plaques – There shall be no occupation of the development, until historic plaques are erected detailing the history of the Hammersmith Drawdock and Riverside Studios.	Controlling Condition	Mount Anvil / Riverside Trust to note					Not Applicable
50. Plant on roofs – No plant, water tanks, water tank enclosures or other structures, other than those that are shown on the approved plans, shall be erected upon the roofs of the buildings hereby permitted, unless otherwise agreed in writing by the local planning authority.	Controlling Condition	Mount Anvil to note					Not Applicable
52. Door Widths / Thresholds – The ground floor entrance doors to all publically accessible parts of the building (including the restaurant) and integral lift / stair cores, hereby approved shall not be less than 1 metre wide and the threshold shall be at the same level to the path fronting the entrances to ensure level access. Should there be any future subdivision of the ground floor restaurant unit, any new unit created would need to ensure a level threshold was provided which would be not less than 1.0m in width.	Controlling Condition	Mount Anvil / Riverside Trust / 4PA to note					Not Applicable
53. Aerials / Antennae / Satellite Dishes – Notwithstanding the provisions of the Town and Country Planning (General Permitted Development) Order 1995 (or any Order revoking or re-enacting that Order with or without modification), no aerials, antennae, satellite dishes or related telecommunications equipment shall be erected on any part of the development hereby permitted, without planning permission first being obtained.	Controlling Condition	Mount Anvil to note					Not Applicable
54. Outdoor Seating Hours – Any outdoor seating areas within the forecourt to in connection with the Class A3 floor-space hereby approved shall operate within the following hours only: Monday to Saturday and Public Holidays: 0700 to 2245 hours Sunday 0700 to 2200 hours The outdoor seating areas will be closed outside of these hours and any temporary seats / tables shall be removed and stored internally within the A3 unit(s).	Controlling Condition	Riverside Trust to note					Not Applicable

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
<p>55. Arts & Entertainment Facility Provision – The arts and entertainment facility hereby approved shall contain the following uses, which shall be used in connection with the principal use as an arts and entertainment facility:</p> <p>Cinema Theatre Film, Radio, Television and Recording Studios with associated Post Production facilities Integral Bar / Café / Restaurant Exhibition and Event Space Offices Rehearsal Space / Multi-functional Space</p> <p>Riverside Studios’ cinema, theatre / television / film and recording studios, rehearsal space, exhibition, event space, restaurant and bar / cafe shall be available to members of the general public in accordance with the stated aims of the Riverside Trust to be a National Media and Arts Centre, working in its own right presenting live theatre, cinema and exhibitions whilst providing a service and interaction with all the major arts organisations in the country to make their work more accessible via the internet and visual media with a focus on arts and entertainment through performance, memory, learning, commerce and creation, whilst embracing this in an international context.</p>	Controlling Condition	Riverside Trust to note					Not Applicable
<p>57. Internal Fit-Out requirements – Internal fit out of the development hereby permitted shall comply with the requirements of the access policies set out in the DM Planning Guidance: Supplementary Planning Document (2013).</p>	Controlling Condition	Riverside Trust to note					Not Applicable
<p>66. Noise Level in Rooms – The noise level in rooms at the development hereby approved shall meet the ‘Good’ noise standard specified in BS8233:1999 for internal rooms and external amenity areas.</p>	Controlling Condition	Mount Anvil / Sandy Brown to note					Not Applicable
<p>67. Privacy Screen Installation – Prior to first occupation of any of the residential units, the privacy screens to balconies within its southern elevation, shall be installed in accordance with detailed drawings to be approved as part of Condition 5 of this consent. The privacy screens shall thereafter be permanently retained for the duration of the residential use hereby permitted.</p>	Controlling Condition	Mount Anvil to note					Not Applicable
<p>69. S106 Confirmatory Deed – The development shall not commence until all parties with an interest in the site for the purposes of s.106 of the Town and Country Planning Act 1990 have entered into a confirmatory deed agreeing to the provisions of the s.106 agreement.</p>	Controlling Condition	Mount Anvil / Riverside Trust to note		Deed entered into on 26/11/2014			TBC

Schedule of Planning Conditions as listed in the 'CONSERVATION AREA CONSENT' dated 22nd January 2014

Ref: 2013/03800/CAC

Revisions since last issue of schedule in red.

	total
Prior to Demolition works	2
Compliance (to note only)	2

Conditions are turned YELLOW when application submitted
Conditions are turned GREEN when application approved and discharged

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
3. Photographic Record – No demolition within the site shall take place until the applicant has secured the implementation of a full photographic internal record (including later technical and electrical installations) of the Riverside Studios in accordance with a written scheme of investigation (English Heritage Level Three) which shall be submitted by the applicant and approved in writing by the local authority in consultation with English Heritage and The Theatres Trust.	Prior to Demolition	Specialist / Mount Anvil (4PA to submit info)		08/07/2014	Registered 21/07/2014	2014/03333/DCAC	12/11/2014
4. Demolition Preparations – No demolition works hereby permitted shall be undertaken before: (i) a building contract for the redevelopment of the site in accordance with planning permission reference 2013/03799/FUL has been entered into, and (ii) notice of demolition in writing and a copy of the building contract has been submitted to the Council (iii) details of the temporary site hoarding have been submitted to and agreed in writing by the council	Prior to Demolition	Mount Anvil (4PA to submit info)		08/07/2014	Registered 21/07/2014	2014/03341/DCAC	12/11/2014
1. 3 years expiration – The development hereby permitted shall not commence later than the expiration of 3 years beginning with the date of the planning permission (Ref: 2013/03799/FUL) to which this Conservation Area Consent relates to.	Controlling Condition	Mount Anvil to note					Not Applicable
2. 3 years expiration – The works hereby granted consent shall not commence later than the expiration of 3 years beginning with the date upon which this consent is granted.	Controlling Condition	Mount Anvil to note					Not Applicable

Schedule of Planning Conditions as listed in the 'NON-MATERIAL AMENDMENT APPROVAL' dated 14th May 2014

Ref: 2014/01290/NMAT

Revisions since last issue of schedule in red.

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
1. Detailed Parking Layout & Management Plan – Notwithstanding the drawings hereby approved, detailed dimensioned drawing of the parking facilities with superimposed vehicle swept paths and the Car Parking Management Plan should be submitted to the LPA for approval prior to the construction of the development.	Prior to Commencement	4PA / Entran	17/09/2014	02/10/2014	13/11/2014	2014/04796/DET	04/06/2015

Schedule of Planning Conditions as listed in the 'NON-MATERIAL AMENDMENT APPROVAL' dated 7th May 2015

Ref: 2014/04247/NMAT

Revisions since last issue of schedule in red.

Condition	Timing Of Submission	To Action	Consultant Info Date	Submission Date	Validation Date	Submission Reference	Approval Letter Date
72. Opening Hours of Commercial Unit – The commercial unit (78sqm) on Crisp Road hereby approved shall not be permitted to open other than between 0800 hours to 2300 hours on any day.	Controlling Condition	Mount Anvil to note					Not Applicable
73. Details of proposed nature of Commercial Unit – Prior to the first use of the commercial unit (78sqm) on Crisp Road, details of the proposed nature of the commercial use shall be submitted to and approved in writing by the Council. The commercial unit shall not be used for any other use than that use approved in writing by the Council.	Prior to first occupation	Riverside Trust Team	April 2016	April 2016			

Riverside Studios Section 106 Tracker - Financial

Date: 26.05.16

Schedule	Clause	LBHF CIL	Mayoral CIL (as per liability notice dated Feb 14)	Indexed	Payment Due	Estimated Payment Date	Payment Date
			£821,732	n/a	Prior to demolition	July 15	Paid fully June 2015

Schedule	Clause	Contribution	Amount	Indexed	Payment Due on Commencement	Estimated Payment Date	Payment Date
		Councils Expenses	£9,900	N/A	On completion of the Section 106 Agreement	22/01/2014	100% paid in Jan 2014
2	1.1	Controlled Parking Zone (CPZ) contribution	£100,000	YES	Commencement of development	Mar-15	100% paid in March 2015
2	1.1	Draw Dock Contribution	£100,000	YES	Commencement of development	Mar-15	100% paid in March 2015
2	1.2	Flood Defences Contribution	£20,000	YES	Commencement of development	Mar-15	100% paid in March 2015
2	1.5	Education Contribution	£300,000	YES	80% due on commencement and 20% due on occupation	Mar-15	80% paid March 2015 - i.e. £240000
2	1.7	Healthcare Contribution	£422,000	YES	80% due on commencement and 20% due on occupation	Mar-15	80% paid March 2015 - i.e. £338000
2	1.8	Sports Facility Contribution	£425,000	YES	50% due on commencement and 50% due on occupation (other than the Riverside Studios)	Mar-15	50% paid March 2015 - i.e. £212500
2	1.11	Tree Replacement Contribution	£5,000	YES	Commencement of development	Mar-15	100% paid in March 2015
3	1.3	Highways Design Fee	£5,000	N/A	Within 28days of commencement of development	Mar-15	100% paid in March 2015
6	1.1	Affordable Housing Contribution	£408,000	YES	80% due on commencement and 20% due on occupation of the development (other than Riverside Studios)	Mar-15	80% paid March 2015 - i.e. £326400

Schedule	Clause	Contribution	Amount	Indexed	Payment Due on Occupation	Estimated Payment Date	Payment Date
2	1.5	Education Contribution	£60,000	YES	20% due on occupation	Feb-17	80% paid March 2015
2	1.7	Healthcare Contribution	£84,000	YES	20% due on occupation	Feb-17	80% paid March 2015
2	1.8	Sports Facility Contribution	£212,500	YES	50% due on occupation (other than the Riverside Studios)	Feb-17	50% paid March 2015
6	1.1	Affordable Housing Contribution	£81,600	YES	20% due on occupation of the development (other than Riverside Studios)	Feb-17	80% paid March 2015
		Residential Travel Plan	£2,000	N/A	Occupation of Residential	Feb-17	
		Riverside Studios Sum	£7,000,000	N/A	No later than 18 months from acquisition of councils freehold interest in the land and prior to occupation of the dwellings	Mar-16	100% paid in March 2016
		Employment and Training Contribution	£305,000	YES	Occupation of development	Feb-17	
		Cycle Hire Contribution	£157,000	YES	Occupation of development	Feb-17	
		Car Club Membership	£5,000	N/A	1 Free membership given up to this value per dwelling. This is for one year from 1st occupation.	Feb-17	
		Parks Contribution	£522,000	YES	Occupation of development	Feb-17	
		Emergency Services Contribution	£420,000	N/A - may be error in S106??	Occupation of development	Feb-17	
		Riverside Walkway Supervision Fee	TBC (5% of estimated cost of walkway)	N/A	Prior to commencement of riverside walkway	NA	S38 Estimate works issued to Council in April 2016. Awaiting 5% amount to be paid from Council - Highways .
		Riverside Walkway Supervision Fee - balancing payment	TBC (the amount of any difference between the Riverside Walkway Supervision Fee and the actual costs of supervision works)	N/A	Within 28 days of demand and in any event before the issue of the Riverside Walkway Final Certificate	TBC by Highways	Highways to issue once works completed.
		Estimated Highways Payment	TBC (which will include an allowance for the £5,000 Highways Design contribution already paid)	N/A	Occupation of development and within 28 days of receipt of a request by the Council for it be paid	NA	Paid the estimated amount of £183.500 to Council on 7th April 2016 as part of S278 works. This includes the design fee.
		Final Highways Payment	TBC (the amount of any difference between the Estimated Highways Payment and the actual cost of the Highways Works)	N/A	At completion of the Highway Works and within 28 days of a written demand from the Council (and the Council can request interim payments if a public inquiry is needed as a result of changes to any road traffic regulation order)	TBC by Highways	S278 Estimate works payment done in April 2016. Awaiting any +/- payment notification from Council - Highways once works undertaken.
		Highways, indemnity for claims under noise regulations (Schedule 3, item 2)	TBC	N/A			
		Riverside Travel Plan	£2,000	N/A	Occupation of Riverside	RST TBC	
		Riverside Travel Plan Review	£6,000	N/A	On 1st, 3rd and 5th anniversary of first occupation (£2,000 each time)	RST TBC	
		Residential Travel Plan Review	£6,000	N/A	On 1st, 3rd and 5th anniversary of first occupation (£2,000 each time)	Jan-18, Jan-20, Jan-22	

Obligation Summary	Obligation	Requirement	Trigger	Riverside or MA Action	Estimated Trigger Date	Obligation Discharged
Notifications	Notification	Notify the Council and the Leaseholder of commencement of the development	No less than 7 days prior to commencement	MA	Mar-15	Mar-15
	Notification	Notify the Council and the Leaseholder of occupation of the development	No less than 7 days prior to commencement	MA	Feb-17	
	Notification	Notify the Council of the postal address of dwellings	No less than 14 days after the postal address has been established	MA		Council Notified
	Notification	Notify the Council when the Riverside Studios Sum has been paid to the Leaseholder	No less than 14 days after date of payment	MA	Mar-16	Mar-16
	Notification	Notify the Council on completion of the riverside walkway	On completion of the riverside walkway	MA	TBC	
Confirmatory Deed (Sch 1 clauses 1.3 and 1.4)	Enter into Confirmatory Deed	Enter into the Confirmatory Deed in relation to the Development	Within 20 Working Days of the date on which the Owner (or its nominee) acquires the Council's freehold interest in the Site. Development is not to be commenced until the confirmatory deed has been entered into.	MA	Nov-14	Nov-14
Travel Plans	Riverside Studios Travel Plan	Submit Riverside Travel Plan to the Council for approval. Not to Occupy Riverside Studios until plan is approved in writing by the Council. Implement and operate the approved travel plan from the date of approval.	Approved prior to occupation of riverside studios	RST	RST TBC	
	Residential Travel Plan	Submit residential Travel Plan to the Council for approval. Not to Occupy any Dwelling until plan is approved in writing by the Council. Implement and operate the approved travel plan from the date of approval.	Approved prior to occupation of the residential	MA	Feb-17	
	Riverside Travel Plan Review	Submit details of the review of the Riverside Travel Plan to the Council (within 7 days of completion of the review) and implement necessary and reasonable changes suggested by the Council as a result of the review.	On the 1st, 3rd, 5th anniversary of first occupation of the development	RST	RST TBC	
	Residential Travel Plan Review	Submit details of the review of the residential Travel Plan to the Council for approval (within 7 days of completion of the review) and implement necessary and reasonable changes suggested by the Council as a result of the review.	On the 1st, 3rd, 5th anniversary of first occupation of the development	MA	Feb-17	
Cleaning of the Draw Dock (Sch 2 clause 1.1.2)	Cleaning of the Draw Dock	To clean or procure the cleaning (which shall comprise the removal of debris and litter) of the Draw Dock	On a fortnightly basis following first Occupation of the Development	MA	Feb-17	
Parking Permits	Permit Free	Residents are restricted from applying for on-street parking permits and the Dwellings shall not be occupied by the holder of a parking permit. This is to be included within any lease, tenancy agreement or marketing. Should the Owner become aware that an occupier has applied for a Parking permit (other than an occupier who is a Blue Badge Holder) the Council's Head of Development Management must be notified in writing immediately.		MA	Oct-14	Sep-14
Servicing and Deliveries Plan	Riverside Servicing and Deliveries Plan	Submit Riverside servicing and deliveries plan to the Council for approval (details of what to include are within Part 1 P29). If the residential servicing and deliveries plan is submitted prior to the riverside servicing and deliveries plan then the leaseholder must provide a draft Riverside servicing and deliveries plan to assist the Council in its consideration. No Occupation of Riverside Studios until Riverside Servicing and Deliveries Plan is approved by the Council in writing.	Approved prior to occupation of riverside studios	RST	RST TBC	
	Residential Servicing and Deliveries Plan	Submit residential servicing and deliveries plan to the Council for approval (details of what to include are within Part 2 P31). If the Riverside servicing and deliveries plan is submitted prior to the residential servicing and deliveries plan then the leaseholder must provide a draft residential servicing and deliveries plan to assist the Council in its consideration. No Occupation of Dwellings until Residential Servicing and Deliveries Plan is approved by the Council in writing.	Approved prior to occupation of the residential	MA	Feb-17	
	Residential Servicing and Deliveries Plan	Implement the approved Residential Servicing and Deliveries Plan	On Occupation of the Residential Floorspace	MA	Feb-17	
	Riverside Servicing and Deliveries Plan Review	Review the servicing and deliveries plan annually and submit details to the Council for approval for a period of 5 years from first occupation of Riverside Studios	Within 7 days of the review being carried out	RST	RST TBC	
	Residential Servicing and Deliveries Plan Review	Review the servicing and deliveries plan annually and submit details to the Council for approval for a period of 5 years from first occupation of residential floorspace	Within 7 days of the review being carried out	MA	ONGOING	

Obligation Summary	Obligation	Requirement	Trigger	Riverside or MA Action	Estimated Trigger Date	Obligation Discharged
	17 Wheelchair units	Wheelchair Units to be constructed and designed to allow to be accessible or easily adaptable to residents who are wheelchair users.	Prior to occupation of the residential	MA	No submission required	No submission required
Wheelchair Units	Wheelchair unit marketing	Market the Wheelchair Units to wheelchair users for a period commencing no later than the date being two months from the Commencement of Development of the Dwellings for the Marketing Period (6 months) provided that in the event that agreements for the sale or lease of any of Dwellings have not been exchanged by the end of the Marketing Period then the Marketing Period shall be extended to a date being the earlier of the date agreements for sale or lease have been exchanged for all Dwellings and the date 45 (forty five) days prior to Practical Completion of the last Dwelling. If during the Marketing Period more than eight potential purchasers express interest in purchasing a Dwelling which is a Wheelchair Unit then the Owner shall use reasonable endeavours to provide a number of additional wheelchair units equal to that for which disability facilities grant is available from the Council or from any other source AND FOR THE AVOIDANCE the Owner shall not be obliged contribute towards the adaptation of any additional wheelchair units.	No later than two months from the Commencement of Development of the Dwellings	MA	Oct-14	Obligation discharged LBHF letter dated 1st Dec 2014. Marketing demonstrated via 'Accessible Property Website' and dedicated wheelchair housing brochure.
	Wheelchair unit marketing	Submit to the Head of Development Management details of the marketing undertaken (with such evidence as the Council requires) including date of first advertisement and website posting of each Wheelchair Unit, date of release of any unit not allocated to a wheelchair user and date of offer on released unit.	No trigger	MA	ONGOING	
	Wheelchair unit resale	Prior to the resale of any of the Wheelchair Units, the Owner will ensure that all marketing materials advertising the sale of the respective Wheelchair Unit state that the respective Wheelchair Unit is wheelchair accessible.	Prior to the resale of wheelchair units - Ongoing	MA	ONGOING	
	Wheelchair unit - retention of design	Irrespective of whether they are disposed of for use by wheelchair owners, the Wheelchair Units shall permanently retain their internal walls/corridors (as designed for wheelchair accessibility / adaptability).	Ongoing	MA	ONGOING	
Car Park Management Plan	Car Park Management Plan	Submit the car park management plan to the Council for approval (from occupation) and submit details of each review to the Council within 7 days of completion of the review. To implement and operate the Car Management Plan from the date that it is approved for the lifetime of the Development (including any reasonable and necessary changes to improve the plan as suggested by the Council following a review). Not to Occupy any of the Development until Car Park Management Plan approved by the Council in writing. Car Park Management Plan to incorporate 'the fact that all Dwellings with only one bedroom should not be permitted to park on the Site'.	Prior to occupation of the development , and then for the lifetime of the development	MA	Submitted under Planning Condition	

Obligation Summary	Obligation	Requirement	Trigger	Riverside or MA Action	Estimated Trigger Date	Obligation Discharged
Riverside Walkway	Riverside Walkway	Riverside Walkway Works to be completed (see appendix 3) and the Riverside Walkway opened and made available for pedestrian and cyclist use by the public to pass and re-pass through the Riverside Walkway without hindrance or interruption and thereafter to make it available for the same use and the Council has issued the Riverside Walkway Certificate of Substantial Completion.	Prior to occupation of the development	MA	Feb-17	
	Riverside Walkway Details	Submit to the Director of Transport and Highways for approval: - a full set of drawings detailing the Riverside Walkway Works; - details of materials proposed to be used in constructing the Riverside Walkway Works, including, if required by the Director of Transport and Highways the provision of material samples; - a statement detailing: - proposed sequence of the Riverside Walkway Works; and - methods to be used in constructing the Riverside Walkway Works (method statement); and - a programme of works - Details of the contractors proposed to be employed to carry out the works (and must obtain the Council's written approval that demonstrating they are suitably experience and competent) - Estimate of likely construction costs of the riverside walkway works (5% of which shall be paid to the Council before the Riverside Walkway Works are commenced to be able to review the design)	Prior to commencement of the riverside walkway (NOTE: commencement of work on the Riverside Walkway does not trigger Commencement of Development for the remainder of the Agreement)		S38 Application issued to Highways May 2016	
	Riverside Walkway - supervision fee	if the actual cost of the supervision works is greater than the 5% paid (referred to above), then the difference shall be paid to the Council.	Within 28 days of demand and in any event before issue of the Final Certificate		Estimate issued to Highways April 2016	Awaiting proposed 5% fee amount from Highways
	Riverside Walkway Consents	agency etc.) including surface water discharges; and submit to the Council and obtain its written approval of a method statement for alternate pedestrian and cyclist access to the river during the construction period of the Riverside Walkway Works and thereafter the Owner shall implement such approved method statement on commencement of the Riverside Walkway Works.	Prior to commencement of the riverside walkway			
	Riverside Walkway Insurance	Procure the provision (by the contractor) of an insurance policy with an insurance company approved by the Council's Executive Director of Finance to cover public liability in the sum of not less than £5,000,000.00 (five million pounds) and employers liability of not less than £10,000,000 (ten million pounds). The owner shall ensure that the interest of the Council is endorsed by letter with reference to the insurance policy.	Prior to commencement of the riverside walkway (including site preparation and the construction of enclosures or introduction of any plant or equipment on site or on access roads leading to the Site)			
	Riverside Walkway Surety Covenant	Procure a surety covenant in favour of the Council from one of the following four clearing banks namely Barclays Bank PLC, National Westminster PLC, Lloyds Bank PLC or HSBC PLC such surety covenant to be substantially in the same form as the draft set out in the Appendix 4 and such sum in 1.1.2 therein shall be the same as the Riverside Walkway Estimated Cost.	Prior to commencement of the riverside walkway			
	Riverside Walkway Supervision	The Owner shall give the Council access to every party of the Riverside Walkway Works for the purpose of inspecting them and all materials used or intended to be used.	During the carrying out of the Riverside Walkway Works			
	Riverside Walkway Statutory Undertakers	The Owner shall procure that notice is given to each person, company, board or authority being the Statutory Undertaker for the time being as well as any statutory authorities/bodies associated with the River Thames, of any apparatus laid in upon or under any highway to which it is proposed to connect the Riverside Walkway or laid in upon or under any part of the proposed Riverside Walkway of the proposal to carry out the Riverside Walkway Works or to make sure connection as if the Riverside Walkway Works or connection were a major highway works within the meaning of section 86 of the New Roads and Street Works Act 1991.	During the carrying out of the Riverside Walkway Works			
	Riverside Walkway Notification of completion	To give the Director of Transport and Highways written notice of its completion	Following completion of the Riverside Walkway			
	Riverside Walkway obstructions	Unless otherwise agreed, no barrier or other structure shall be erected at the boundaries or anywhere within the Riverside Walkway which runs within the Site so as to obstruct the free and uninterrupted passage of the public	From the date of issue of the Riverside Walkway Certificate of Substantial Completion			
	Riverside Walkway Maintenance	Repair and carry out other necessary works to the river wall adjacent to the Riverside Walkway and to paint all existing buildings and hoardings fronting the Riverside Walkway up to a height of 3 (three) metres with anti-graffiti paint. In addition, at all times up to and following the issue of the Riverside Walkway Final Certificate, the Owner shall ensure that the riverwall and the subsoil and other areas beneath the surface of the Riverside Walkway are maintained in good condition and to the satisfaction of the Council (subject to the Owner having all necessary rights/powers to be able to do so).	Within 6 (six) months of the date of Commencement of Development and thereafter to maintain the said wall in a good state of repair and condition.			
	Riverside Walkway Maintenance	to maintain the Riverside Walkway during the Maintenance Period and up until the Riverside Walkway Final Certificate has been issued for the Riverside Walkway at the owners own expense including all grassed and planted areas and associated lighting and street furniture and to reinstate and make good any defect or damage which may have arisen during the Maintenance Period or may have been notified in writing by the Director of Transport and Highways. At the end of the Maintenance Period a certificate of final completion of each part must be applied for. Before the final certificate of completion can be issued, the Owner must provide the Council with evidence to show that where necessary drainage rights in respect of such parts of the surface water drainage system of the Riverside Walkway as are situated outside the limits of the Riverside Walkway have been obtained.	Following the issue of the Riverside Walkway Certificate of Substantial Completion			
	Riverside Walkway - final certificate	To apply for a certificate of final completion.	At the end of the maintenance period.			
	Riverside Walkway Dedication	The Owner shall immediately dedicate the Riverside Walkway as highway maintainable at public expense, but this will not include any part of the river wall.	Following the issue of the Riverside Walkway Final Certificate			

Obligation Summary	Obligation	Requirement	Trigger	Riverside or MA Action	Estimated Trigger Date	Obligation Discharged
Community Uses Strategy	Community Use Strategy	<p>Leasholder to work with the Council and submit a Community Uses Strategy for approval. This is to include:</p> <ul style="list-style-type: none"> - the catchment area in respect of which free and/or discounted tickets may be made available to Eligible Users; -the list of Eligible Users in the catchment area; -the numbers of free and/or discounted tickets to be made available for distribution to Eligible Users in accordance with the Riverside Community Uses Strategy on an annual basis following first Occupation of the Riverside Studios; - the basis upon and timescales within which free and/or discounted tickets will be made available to Eligible Users; and - details of how the Leaseholder will engage with Eligible Users and work together with the Council to maximise the potential for delivering community and/or educational benefits at the Riverside Studios having regard to the principles and objectives set out in the Memorandum of Understanding (see appendix 5). <p>The Riverside Studios to be operated in accordance with the Riverside Community Uses Strategy and the Memorandum of Understanding for so long as the Riverside Studios is Occupied by the Leaseholder (subsequent occupiers to collaborate with the Council re: the Alternative Community Uses Strategy).</p>	At least 6 months prior to occupation of riverside studios	RST	RST TBC	
	Community Use Strategy Review	The Leaseholder and the Council will review the Riverside Community Uses Strategy and the Memorandum of Understanding. Implement any reasonable and necessary changes suggested by the Council as a result of the review.	Annually from the first date of occupation of riverside studios for five years following first occupation of the development.	RST	RST TBC	
Employment and Business Support	Notification	Notify the Head of Economic Development of the intended timetable and programme for the construction and fit out of the Residential Floorspace and discuss the likely employment projections and the skill categories and levels required for employees.	As soon as reasonably practicable and in any event not less than 12 months prior to commencement. (This is to be implemented throughout the duration of the development). (NOTE: Commencement is defined for the purposes of schedule 12 as including demolition and/or site clearance)	MA	Sep-14	submitted sept 14
	Jobs Brokerage and Skills Training Scheme	Submit a draft of the Interim Jobs Brokerage and Skills Training Scheme. This shall include the items set out in schedule 12. Reasonable endeavours to be used to agree the Interim Jobs Brokerage and Skills Training Scheme no later than 6 months after the Owner and Developer's first submission of the draft Interim Jobs Brokerage and Skills Training Scheme to the Council.	As soon as reasonably practicable and in any event not less than 12 months prior to commencement. Not to commence the development of the Residential Floorspace until this is approved. (NOTE: Commencement is defined for the purposes of schedule 12 as including demolition and/or site clearance)	MA	Sep-14	submitted sept 14
	Revised Interim Jobs Brokerage and Skills Training Scheme	If the Council provide any comments on the draft interim Jobs Brokerage and Skills Training Scheme the developer shall submit a revised Interim Jobs Brokerage and Skills Training Scheme to the Council having regard to any comments received from the Council	within 10 Working Days of receipt of the Council's comments	MA		
	Approval of the Interim Jobs Brokerage and Skills Training Scheme	following receipt of the Council's approval of the draft Interim Jobs Brokerage and Skills Training Scheme the developer will (1) agree the Council's comments and amendmetns and submit a revised Interim Jobs Brokerage and Skills Training Scheme in accordance with them, or (2) notify the Council that there is a dispute over elements of the revised draft Interim Jobs Brokerage and Skills Training Scheme and that this shall be subject to Dispute Resolution in accordance with the dispute resolution mechanisms.	within 5 Working Days of receipt of the Council's approval.	MA		
	Operation (Sch 12, clause 2)	Implement and operate the approved Interim Jobs Brokerage and Skills Training Scheme and ensure contractors working at the Residential Floorspace assist in the implementation of the Interim Jobs Brokerage and Skills Training Scheme and take steps to aim to ensure that during the life of the construction and fit out of the Residential Floorspace construction jobs in the Development of the Residential Floorspace shall be first offered on an Apprenticeship or Traineeship basis.	For the duration of the construction and fitting out stage of the Residential Floorspace unless otherwise agreed by the Council	MA		
	Review	Review, and submit details of each review within 7 working days of completion, of the Interim Jobs Brokerage and Skills Training Scheme in partnership with the Council. Implement and operate any reasonable changes the Council and Owner and the Developer consider reasonably necessary and appropriate.	on each anniversary of the first approval	MA	ONGOING	

RIVERSIDESTUDIOS

25th May 2016

Mr. Matt Butler,
Head of Policy & Spatial Planning,
London Borough of Hammersmith & Fulham,
Town Hall,
LONDON W6

Dear Matt,

Further to your email of 19th May 2016 we refer to the points that you raised that have to be resolved.

1. This asks that the Committee be presented with a viability assessment, which we believe you have already written. We would not see this as the responsibility of Riverside Trust. We would ask that your report is presented alongside the response of Riverside Trust from its Chair, Sir Christopher Powell, written in a letter to Councillor Iain Cassidy on 10th March 2016, a copy of which is attached.
2. In terms of Section 106 we believe that all of these conditions are being met and those conditions not complied with so far are either being resolved in the next few weeks or are not due to be completed for some time.
3. We would refer to our Chair's letter of 10th March 2016, Point 3. It has always been our expectation that the amount we received from Mount Anvil would only meet the initial requirement and that bank debt and funding would be required.
4. We confirm that the Chair of Riverside Trust intends to attend the meeting.

Yours sincerely,



WILLIAM BURDETT-COUTTS
Artistic Director

Encs.

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RIVERSIDESTUDIOS

10 March 2016

Councillor Iain Cassidy,
London Borough of Hammersmith and Fulham,
Hammersmith Town Hall,
King Street,
LONDON W6 9JU

Dear Councillor Cassidy,

We have been reviewing the report by Matt Butler on Queen's Wharf and Riverside Studios presented to the last Audit Committee on 14 December 2015. We presume that the main objective of the Audit Pensions and Standards Committee is to consider whether Hammersmith and Fulham have acted correctly in terms of their negotiation with Queen's Wharf Riverside LLP (the Developer) over the disposal by the Council of its freehold interest in the Riverside Studios property and of the terms of the planning permission granted for the Riverside Studios/Queen's Wharf site.

As a subsidiary point, we presume you are concerned whether Riverside Studios can provide the community arts facilities envisaged by all once the building reopens.

It is worth noting in this context:

- that the Council's own regeneration area strategy refers to the need for a comprehensive redevelopment of Queen's Wharf and Riverside Studios to include replacement of suitable accommodation for Riverside Studios;
- that the 2014 Labour Party manifesto under which the current administration was elected specified the following in relation to Riverside Studios: "We will take measures to ensure that it continues to be preserved as a centre of arts and cultural excellence in the future."

As an overriding premise and, as we are sure that you will appreciate, the main objective of Riverside Trust is to continue to deliver a community arts facility at Riverside Studios as we have done since 1983. We wish to do this with the full support of Hammersmith and Fulham Council. A summary of the funding history of Riverside Trust is attached for your information. There are detailed provisions enshrined in the s106 Agreement to secure our various community obligations. We continue to strive to work with the Council in connection with these and other arts initiatives and strategies within the Hammersmith and Fulham area.

Whilst we can only comment on aspects of the report of which we are aware (we were not party to the agreements that the Council entered into with the Developer), we would like to draw your attention to the following points that ought to be considered during your review:

1. The transaction we agreed with the Developer provided that in return for us giving up our existing 70 years unexpired lease, the Developer would grant us a new 200 year lease of the new studios. This will be 33% larger and will include three studios, a cinema and a screening room, all acoustically treated to shell and core state. The Developer is paying for the significant base build costs and has also agreed to provide us with a cash contribution of £8.6 million which has enabled us to fund closure costs, the retention of key staff between closure in 2014 and re-opening in 2018, our obligations to Riverside TV Studios in return for the surrender of their lease, professional fees for the

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design of the fit-out of the new studios and will fund part of the cost of the fit-out. This in itself will not be sufficient to deliver the full extent of our community arts objectives and, therefore, we have always planned to supplement this with debt and grant funding to achieve our ambitions. Your report references assurances Riverside Trust provided to the Committee on the 19 December 2013, but we were not party to this (item 2(a) in the Audit Pensions and Standards Committee report 14 December 2015).

2. Our vision for the future use of Riverside Studios is as a community arts centre to continue to create and develop arts in the Borough, and also to develop a world class National Digital Hub aimed at the interests of the Arts Council's Digital Strategy. This will require significant investment in fit out of the building and in digital technology. Our business plan requires us to obtain a bank facility to deliver our core operation. The debt interest and eventual repayment will be funded by the projected income from the pre-let TV studio, the restaurant, cafe, bars and offices, where we have been advised that there is likely to be strong demand from potential tenants. Discussions with banks who would provide this facility are progressing well.
3. The transaction that we entered into with the Developer was approved by our Board of Trustees in September 2013 and this decision was supported by independent surveyors. Approval was also sought and given by the Charities Commission. Our business plan has always been structured on the requirement of bank debt and fundraising and shows this requirement of between £10-20m. Like every arts organisation in the UK, we continuously seek grant and other funding to support our development.
4. The report implies that the Council has effectively given Riverside Trust £25m. This is misleading as no public funds have been given to Riverside Trust. The value in the new building and the lease we hold will derive from the money being spent by the developer on construction and the money we put into the fit out. It would be wrong to assume that the approval of planning permission in itself was the direct contributor and that there was a "planning gain" of £25m as this ignores the complexity of the various contracts that informed the arrangement. The development site was made up of two parcels of land – Queen's Wharf and Riverside Studios. The cost of operating from and maintaining the original premises was becoming prohibitive for Riverside Trust and a condition survey undertaken for the Arts Council in 2002 concluded that the premises were no longer fit for purpose and probably had another ten years of useful life. This comprehensive development presented a unique opportunity for Riverside Trust to move forward in brand new facilities arranged over double the floor space at ground floor level by the inclusion of the Queen's Wharf site. Our Board of Trustees, which at the time included three Hammersmith and Fulham Councillors, concluded that giving up our existing lease in exchange for a new much longer lease of purpose built facilities together with a cash contribution was in the best interests of Riverside Trust. At that meeting, funding requirements and options were discussed and approved by our Board of Trustees. The benefit that Riverside Trust will receive is a new community arts facility in line with its charitable objectives and the Council's own stated policy. Without the provision of a new facility for Riverside Trust we would not have given up our lease and therefore the comprehensive redevelopment would not have been able to proceed and Queen's Wharf would have been re-developed on its own.
5. There is reference to the Council foregoing affordable housing to a value of £25m on the basis that the public money from the planning gain will be used to fund the community arts provision. For the purposes of your report, it should be noted that we were not involved in the discussions between the Council and the Developer, and indeed, were

excluded from these by both parties and we cannot comment on the decision taken by the Council as to what was viable for the development.

It is, however, worth considering the facts again. The Council's Planning Department's strategy for the Borough was to see Queen's Wharf and Riverside Studios developed together. The combined site was seen as a crucial focal point in the Borough with its prominence next to Hammersmith Bridge. We talked with a number of developers that had historically owned Queen's Wharf and there were continual discussions about whether the two buildings should be developed separately or together. The final outcome, after many years and after one agreement with another developer who failed to succeed in taking the combined site project forward, was that A2Dominion managed to achieve planning permission for Queen's Wharf on its own. We understand that this involved a minimal provision of affordable housing. At this point, Mount Anvil entered the scenario and we worked with them and A2Dominion to achieve a joint development of the site. In the event A2Dominion had proceeded with the permitted Queen's Wharf development, the viability of the Trust would have been threatened as the construction work of an adjacent building site would have compromised the ability of the Studios to operate. We would still have been left with a crumbling building and without the opportunity to double the size of the ground floor across both sites which offers considerable operational benefits; such as the separation of studios to avoid the previous problem of sound transmission and enables the final section of the Hammersmith and Fulham river walkway to be completed.

In summary, our role was to exchange our leasehold interest for a new, much longer lease of a larger premises better suited to attain our objectives. It was for the Council to apply policy to its negotiations with the Developer in relation to the wider development. Whilst we initiated the relationship with Mount Anvil that led to their working with A2 Dominion and the Hammersmith and Fulham Council we were only party to the contract between Riverside Trust and Mount Anvil, not the joint venture of Mount Anvil and A2 Dominion, or the latter and Hammersmith and Fulham Council. It was the Council's own decision to sell the freehold of the Riverside Studios site to the developers for which it is receiving payment.

The development of Riverside Studios is a major opportunity for the Borough. Prior to our closure in 2014 Riverside was voted Best Venue in Hammersmith by readers of Time Out. We would like to think when we re-open in 2018 we can be an even greater asset to the Borough. We hope that the Council will publicly support the development of Riverside Studios as a community arts facility which must be in the joint interests of both the Council and Riverside Trust.

Yours sincerely,



SIR CHRISTOPHER POWELL
Chair, Riverside Trust

Encs.

Riverside Trust – Funding History

With regard to Riverside Trust's position it is important to understand something of our history. The current Trust was formed in 1983 after the failure of the two previous organisations which ran Riverside Studios. The Trust was formed with the support of Hammersmith and Fulham Council, the GLC and the Arts Council. It was presumed it would be a community centre and that public funding was an essential element in order to allow it to operate. The significant change for us happened in the early 90s when the Council decided to withdraw all its funding (£315,000) and, equally, the GLC had previously turned into the GLA and they also removed their funding. The Arts Council was a minor partner in this support and we worked with them on a Feasibility Study in 1997 to try and find a new way of sustaining the Trust given the loss of this public money. At the end of the Feasibility Study it transpired that the Arts Council had used all its capital fund at the time and the Trust was left with a continuing problem. It should be noted that as part of this Feasibility Study Hammersmith and Fulham Council were prepared to give the Trust the freehold of the site on the assumption that the Arts Council would be providing cash support for our development. This had to be approved by the Secretary of State and this was achieved.

At the time, the Trust faced a situation where it didn't have enough money to operate. It applied to the Arts Council to get on to its Recovery Programme and was successful in doing this. The Arts Council requirement was to work with an outside advisor. The strategy that resulted from this assumed that we would have to operate as commercially as possible and whilst we derived income from this the Arts Council would increase its funding to support the arts programme. Alongside this Hammersmith and Fulham agreed to guarantee a loan of £600,000 from the bank which allowed the Trust to develop its office space and catering facilities from which it generated valuable income. The loan was fully re-paid a few years ago.

As part of the Recovery Programme the Arts Council required a Condition Survey on Riverside Studios and this concluded that there was limited life left in the building. At the time the assumption was there would be something like ten years life left. We were successful in our execution of the Recovery Programme and, indeed, increased our commercial revenue as expected, which included a condition that we had to turn Studio 1 into a commercial television studios, and the Arts Council matched this by increasing its funding to the level of £500,000. We ran successfully with this for a period of some twelve years.

We lost our Arts Council funding in 2012 following a review of their requirements in London. Our Arts Council Officer supported the continuance of funding given the quality of our work, but we fell down on a strategic point from having no financial support from our local authority. Without reinventing ourselves and finding a new way to support the Trust, we would not have been able to survive in the old building. Indeed the expectation at the Arts Council was that without funding we would close. Instead the ambition and scope of the new building will allow us to deal with many operational issues and will create a centre that is fit for purpose. Throughout all this, Councillors on our Board and Council Officers were made aware of our position. The members on our Board were fully aware of the financial implications on the Trust and the funding requirement for our development and have worked tirelessly to achieve these aims.

JD/P5154
10 December 2013

Mark James Price
Planning and Heritage Advisor
The Theatres Trust
22 Charing Cross Road
London WC2H 0QL

Dear Mr Price

Riverside Studios and Queens Wharf, Crisp Road, London W6
Application Refs.: 13/03799/FUL & 13/03800/CAC

Further to our recent telephone conversations, I am writing to you on behalf of the Applicant Mount Anvil, to respond to your concerns raised in your letter dated 9th December 2013 to the Council with regards to the above application.

We understand that the Theatres Trust does not object to the applications in principle PROVIDED THAT sufficient further information is provided about the detailed design of the arts component of the applications before commencement of development to demonstrate that the proposed redevelopment will provide a satisfactory multifunctional replacement facility that will meet the requirements of a modern arts centre within the catchment area.

We would be grateful if you would review the following which we hope will overcome your concerns and enable you to withdraw your objection.

Recommendations:

1. A planning condition is imposed in the following terms (or similar) to address the issue of detailed design:

"Prior to commencement of development of the replacement arts & entertainment facility details of the basement, ground and first floor layouts identifying the flexible theatre, performance/TV studio spaces and cinema shall be submitted to and approved in writing by the local planning authority acting in consultation with The Theatres Trust. The development shall be completed in accordance with the approved details unless otherwise agreed in writing by the local planning authority."

2. That the Riverside Trust be a party to the Section 106 Agreement which agreement shall include the following wording (or similar) to address the issue of use by the Riverside Trust:

"The Riverside Trust is a registered charity (Charity Number 287848) regulated by the Charity Commission. The Commission ensures that Trust achieves its Aims, provides Public

Theatre Trust
10 December 2013

Benefit and maintains Governance that is appropriate and effective.

AIMS

The provision of facilities for recreation and other leisure time occupation for the public and in particular people who live or work in the area of Greater London. Such provision is in the interests of their social welfare within the meaning of the Recreational Charities Act of 1958.

PUBLIC BENEFIT

The Arts Community and the public who attend theatre and cinema performances or those who come to see our exhibitions, eat or drink in our Cafe/Bar, River Terrace or Film Café.

GOVERNANCE

There are regular meetings of The Riverside Trust Board of Directors who take advice from legal advisers and auditors. The Trust operates a financial policy that uses commercial revenue generated from television, catering and office facilities to support its arts provision. The Trust regularly reviews its activities to ensure that it continues to achieve its stated Aims and provides Public Benefit."

Further details

Your letter also raised several queries, which we wish to respond to as follows:

An Acoustic Report (dated 5 September 2013) has been prepared by RBA Acoustics and submitted with the planning application. The Council will impose conditions to ensure acoustic performance of the building and any mitigation between the Riverside Trust demise and the residential element of the scheme is sufficient to ensure proximity and compatibility between the uses. We trust you will agree this is a matter for the local planning authority to determine the adequacy of the noise assessment.

In support of the application a financial viability report was submitted with the planning application on a confidential basis and that this report assesses the viability of the development as a whole, including the delivery of the arts component. It is a matter for the local planning authority to determine whether the development provides the maximum reasonable amount of affordable housing and other planning contributions having regard to its viability.

The developer is providing Riverside Trust with new premises in a shell and core state, to include state of the art acoustic treatment for the arts spaces. The new facilities will be handed over to the Trust to carry out internal fit out only. In relation to funding for the fit out, the developer is making a substantial financial contribution to Riverside Trust to facilitate the fit out of their premises. The payment from the developer is sufficient to get the arts facility open to the public. The developer and Riverside Trust have worked together to ensure that this is the case.

It may be that Riverside Trust seek additional funding from other sources – such as the Arts Council – to further enhance their facilities in addition to the theatre offering. Riverside Trust are granted a long lease on day 1 of the development so they are taking the space. This lease will have significant value and its existence from the beginning of the development will assist Riverside Trust in raising any additional funding that they may require in the future.

The actual documentation between the developer and Riverside Trust is commercially confidential.

Theatre Trust
10 December 2013

Finally we can only apologise that the Theatres Trust was not notified by the Council, however we trust that no prejudice has been incurred and we are grateful that your proactive approach has enabled the Trust to comment in its role as Statutory Consultee. Accordingly, and in accordance with Article 16(6)(b) of The Town and Country Planning (Development Management Procedure) (England) Order 2010 (DMPO), we would be grateful if the Theatres Trust can acknowledge that the local planning authority is not required to wait a further 21 days before determining the applications.

We hope that the Theatres Trust is now satisfied that sufficient information has been provided with the applications to determine the acceptability of the proposed arts component in principle. As indicated above, The Applicant and Riverside Trust would welcome the welcome the opportunity for the Theatres Trust to remain involved in discussions about detailed design proposals for the arts and entertainment facility with the local planning authority.

Please do not hesitate to contact us if we may be of further assistance.

Yours sincerely



Jan Donovan
Rolfe Judd Planning Limited

cc N Leatherby Mount Anvil
W Burdett Coutts – Riverside Studios
M Butler / A Nowak – LBH& F Council

WHY RIVERSIDE STUDIOS NEEDS TO BE REDEVELOPED.



Riverside Studios needs to be saved as a cultural asset for London and the people of Hammersmith. Concerns about the current development plan severely prejudice this, because if we don't achieve the joint development across Riverside Studios and Queens Wharf, we will close.

Planning permission for Queens Wharf has already been consented for a single site development. If this goes ahead without doing the joined up development as shown the Riverside Studios will stay as is and be inoperable during the building period, which is likely to lead to permanent closure of the Riverside Trust.

I have run the building now for 20 years since 1993 and this is by no means an easy task. When I first began the Riverside Trust was hugely in deficit and faced losing its entire Hammersmith & Fulham Council grant. When this grant ended we worked by managing a policy of bringing in commercial income to support the arts activity. By the late 90s we were again in trouble when TFI Friday ended its run here. The result was a difficult period which we got through with the support of the Arts Council Recovery Programme, which, again, built on the commercial and arts balance. This saw the main studio in the building turned into a full time television studio, which of course it originally was, as well an improvement in our Arts Council funding.

As part of this recovery the Arts Council required we undertook a condition survey of the building, which clearly stated it was past its useful life and needed redevelopment to make it fit for purpose within ten years (the report was done in 2002). As a consequence we

have been endeavouring to do this ever since. This has been a long and arduous task riven with the problems associated with any development on the Riverside Studios and Queens Wharf sites, given the relationship to Hammersmith Bridge and the fact this is one of the most prominent sites in the Borough.

In fact, going back in time, my shelves are littered with failed attempts to develop Riverside Studios. My office indeed was the base at one point for Will Alsop who, I think, was the first to attempt to design a new building here in the early 80s. The attempt failed.

Our present action has been precipitated by our neighbouring building Queens Wharf, which has been through a whole series of owners since Compass Catering moved out in the late 90s. Not only does Hammersmith and Fulham's own Local Development Framework want to see both buildings developed together, but from our point of view if Queens Wharf is developed without us, to operate through their building process would almost certainly close us down.

We have worked now with five sets of architects on possible ideas for the two sites either operating singly or jointly. Ideas have ranged from a series of six towers above a podium, to three towers to a sixteen storey hotel and a box full of plans sits beside my desk. If there were to be a single site development on the Riverside Studios site alone, this would need to be considerably higher than the present joint scheme in order for it to be commercially viable.

The present development has been led by A2 Dominion's purchase of Queens Wharf in 2009 and they achieved planning permission for their standalone site in December 2012. We previously tried for several years to achieve a joined up scheme through a relationship with Arab Investments, but this failed, to be replaced earlier this year when Mount Anvil stepped into the frame and spent many months negotiating a relationship between all the relevant parties. This has led to the current plans being considered by the public.

From the Riverside Trust's point of view these work well. They retain our three main studios, which move to the Crisp Road end of the new building and open up the river walkway providing a huge public foyer with both restaurant and café bar facilities. Our cinema, much loved by the public, especially for its international seasons, will have two screens, one a replica of the current space and a new 60 seater. It

all comes with a 200 year lease that allows us to plan sensibly for a coherent future, one which will allow us to sustain ourselves with a better income model, whilst also planning to maintain our arts provision.

Yes, there are issues of concern to the public the main one of which would seem to be height. The scheme is mainly seven storeys (exactly the same as the already consented Queens Wharf Development) but goes up to eight on the end section away from the bridge. This is still no higher than the Fulham Reach development just down from us and takes into account consideration of the height of Hammersmith Bridge. And it has to be borne in mind that if this new scheme is not approved, Queens Wharf will still be built on its own to the same seven floors of consented height.

Yes, there is mass. But without it the developers cannot take into account our requirements and that of the flats they need to build to make the project viable.

Yes, there will be some impact on light to our neighbours. But light surveys have been undertaken and these are well within the bounds of what is reasonably acceptable. The light surveys have been verified a second time after some residents asked for reassurance.

Yes, there are concerns about parking. But we continually get complaints at the moment about people being delivered to the front doors of Riverside Studios or queuing outside the building. We equally get complaints about manoeuvres of container lorries on Crisp Road into River Terrace The new scheme addresses these issues.

Yes, there is concern about an active frontage on Crisp Road as we move our front door away. But careful thought is being put into making the new building have an arts design on the scene dock doors with moving image presentations of what's going on in the building.

Yes I have heard concerns about timing, but A2 Dominion have held their single building for many years and if the joined up development is not approved by February their contract with Mount Anvil will default.

The obvious benefits:

The public walkway will be opened up along the river.

The scene dock will replace the noise and nuisance we currently have on River Terrace by being inside the new building.

The public space afforded will provide a much more convenient service and queues can be taken off the street.

Riverside Studios would become a “destination” venue rather than one lost down a back street.

One derelict and one run down building will be replaced by a new single building that is fit for purpose and will uplift the whole area.


The area between the building and Hammersmith Bridge will be improved.

The greatest benefit is that the Riverside Trust and Riverside Studios will survive and can be self-sustaining for many years to come.

I believe this is a one off opportunity for re development of the joint sites. In reality it is the first realistic prospect in decades. It's not perfect, but no project is going to be given the constraints of the site.

In the circumstances I would encourage people to give their support to the development. We hope you will be supporters of Riverside Studios for years to come.

William Burdett-Coutts
Artistic Director
19.11.2013

<p>London Borough of Hammersmith & Fulham</p> <p>Audit, Pensions and Standards Committee</p> <p>15 June 2016</p>	
<p>CORPORATE ANTI-FRAUD SERVICE END OF YEAR REPORT - 1 APRIL 2015 TO 31 MARCH 2016</p>	
<p>Open Report</p>	
<p>Classification: For Information</p>	
<p>Wards Affected: None</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Finance Director</p>	
<p>Report Author: Andrew Hyatt, Head of Fraud</p>	<p>Contact Details: Tel: 0207 361 3795 E-mail: andrew.hyatt@rbkc.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 This report provides an account of fraud related activity undertaken by the Corporate Anti-Fraud Service (CAFS) 1 April 2015 to 31 March 2016.
- 1.2 CAFS are part of the Shared Service Anti-Fraud Service. Although CAFS remains a single entity within the London Borough of Hammersmith & Fulham, the partnership continues 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.
- 1.3 CAFS continues to provide H&F with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council.
- 1.4 This report details the first year of work with a reduced establishment following the Government’s decision to centralise the investigation of housing benefit fraud, creating a Single Fraud Investigation Service (SFIS). On 1 March 2015 four investigators from CAFS transferred their employment to the Department for Work and Pensions (DWP).
- 1.5 Since April 2015 CAFS identified 109 positive outcomes, including eight prosecutions, 30 recovered tenancies and seven Proceeds of Crime (POCA) recoveries totalling £409,284.
- 1.6 Of the 336 cases referred to CAFS for potential investigation 201 were accepted and 135 were rejected due to lack of information or lower risk scoring.

1.7 For the financial year ending 31 March 2016, over £4.4million of fraudulent activity has been identified, as detailed in the following table.

Activity	Fraud proven 2014/15	Fraud proven 2015/16	Fraud identified 2015/16 (£'s)
Housing Fraud – applications	7	5	90,000
Housing Fraud - assignments & successions	2	3	106,000
Right to Buy	10	17	1,766,300
Prevention	19	25	1,962,300
Tenancy Fraud (Council and Registered Providers)	20	30	1,441,000
Housing and Council Tax Benefit (legacy cases 15/16)	44	8	354,251
Internal Staff and Other Services	26	14	259,683
Low risk fraud – Parking, Accessible Transport and Council Tax SPD	29	20	4,556
Detection	119	72	2,059,490
Proceeds of Crime Act – confiscation	9	12	409,284
Deterrence	9	12	409,284
TOTAL	147	109	4,431,074

1.8 Details of a sample fraud cases are reported at Appendix 1.

NB: fraud in the different areas has been notionally valued as follows;

- Tenancy Fraud: £45,000 per property based upon the average cost of temporary accommodation (£18,000 p.a.) multiplied by the average length of stay. 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.
- Right to Buys: £103,900, the value of the discount per application.
- Succession: As per Tenancy Fraud because each time a fraudulent assignment or succession is stopped a vacant possession is returned to the Council.
- Housing Fraud: £18,000 based upon the average cost of maintaining a family in temporary accommodation for one year.

2. RECOMMENDATIONS

2.1 Note the fraud work undertaken during the year 1 April 2015 to 31 March 2016.

3. REASONS FOR DECISIONS

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

4. WHISTLEBLOWING

- 4.1 The Council's whistleblowing policy, known as "Reporting your Concerns at Work" identifies the Shared Service Director for Audit as one of the main contacts for staff wishing to report a concern that they believe they cannot discuss with their line manager.
- 4.2 From 1 April 2015 to 1 March 2016 one whistleblowing referral (as defined in the policy) has been received, and investigations are on-going.
- 4.3 CAFS will review the existing process and run a Council wide campaign during 2016/17 to ensure all staff are fully aware of the policy and process for making referrals.

5. ANTI-FRAUD STRATEGY

- 5.1 CAFS are currently developing a new Anti-Fraud Strategy across the three partnership Councils. The strategy will align to the newly released national strategy, **Fighting Fraud and Corruption Locally**, as well as placing greater emphasis upon developing and improving fraud prevention techniques across H&F.
- 5.2 With reducing investigative resources an anti-fraud strategy can no longer depend on detection and enforcement activities alone, and the success of preventative techniques, as seen in the Right To Buy process, evidences the effectiveness of this activity.
- 5.3 Prevention is often the most efficient way to make savings and the strategy will aim to educate staff about the risks of fraud, as well as provide the appropriate skills, tools and support to prevent it.
- 5.4 The prevention element of the Council's new strategy will be underpinned by five key work streams;
1. **Evaluation** – CAFS will assess and gain a greater understanding of the various fraud risks the Council faces, performing a risk assessment and fraud resilience check.
 2. **Engagement** – Liaison across Council services and departments to further quantify fraud risks and mitigating processes.

3. **Education** – Bespoke fraud awareness to inform staff about the risks and impact of fraud occurring with their own services as well as across the Council.
 4. **Empowerment** – Provide services with the skills, techniques, tools and controls that will aid fraud prevention.
 5. **Enforcement** – Where fraud is identified that cannot be dealt with at a service level, CAFS will continue to provide investigative support and continue to investigate suspicions of fraud.
- 5.5 Work which underpins the planned strategy has already commenced and this report details the year's counter fraud activities under the headings; Detection, Prevention and Deterrence.
- 5.6 A copy of the newly released national strategy, Fighting Fraud and Corruption Locally is provided at Appendix 2 for reference.

6. FRAUD PREVENTION ACTIVITIES

Fraud Prevention Tools

- 6.1 CAFS provided Housing Officers within H&F Direct with an on-line tool for the assessment of all new housing applications. The National Fraud Initiative's (NFI) Application Checker allows frontline staff to check and verify the details of all new applications for housing.
- 6.2 The NFI is a sophisticated data matching exercise devised by the Audit Commission and currently overseen by the Cabinet Office, which matches electronic data within and between public and private sector bodies to prevent and detect fraud.
- 6.3 By using the Checker, Housing Officers can access the data held by the NFI and verify the information provided by the applicant. This reduces the risk of fraudulent applications and streamlines the process of checking them. It is easy and quick to use, instantly providing key information about the applicant.
- 6.4 A case study evidencing the benefits of the checker can be found at Appendix 1 (case 5)
- 6.5 Following the rollout of the checker to housing, access to the service was extended to Schools Admission to assist with their verification process for the September 2016 intake of new students.
- 6.6 In addition to the NFI Checker, CAFS also rolled out the West London Hub "Track a Fraudster" system which provides additional support for Housing Officers processing new applications.
- 6.7 The Hub extracts data from participating Councils. The data includes tenancy data, common housing register information and Council Tax Replacement

Scheme (CTRS). It then matches this data between authorities in order to identify anomalies. For example, if a H&F tenant is receiving CTRS from another Council, it suggests the possibility of tenancy or housing fraud and the matter can be further investigated before any application is approved.

Right to Buy (RTBs)

- 6.8 The number of RTB applications has continued to rise over the last 12 months with tenants benefiting from the scheme's discounts up to a maximum of £103,900.
- 6.9 With such large discounts available to prospective purchasers there is a greater risk of fraud, and to this effect CAFS work in partnership with HomeBuy and apply an enhanced fraud prevention process to all new RTB applications.
- 6.10 The additional checks, which include anti-money laundering questionnaires as well as financial and residential verification, provide assurance that tenants are eligible to the discount and fulfil the criteria of the scheme ahead of completion.
- 6.11 In the year to 31 March 2016 CAFS have successfully prevented 17 Right to Buys from completion, where suspicion was raised as to the tenant's eligibility or the provenance of their financial status. In many instances these have been as a result of the tenant voluntarily withdrawing their application once checking commenced.
- 6.12 The prevention work undertaken by CAFS in respect of RTBs continues to protect valuable Council stock.

7. FRAUD DETECTION ACTIVITIES

Corporate investigations

- 7.1 Corporate investigations are defined as fraud cases which relate to employee fraud or other third party fraud which does not fall within a specific CAFS service area such as Housing or Tenancy Fraud.
- 7.2 Since 1 April 2015 work in this area has included;
- The cancelling of a statutory home loss compensation due to an inaccurate application for funding.
 - A fraudulent application and misuse of the Personal Budget payment scheme intended for care provision.
 - Theft from a school's bank account culminating in a 2 year prison sentence for the offender.
 - Low level procurement fraud in relation to a school's maintenance programme.
 - Disciplinary hearing for a member of staff who had misappropriated client's funds and misused taxi expenses meant for the transportation of clients.

- False applications, and multiple applications for H&F parking permits.
- Advisory reports to guide and assist departments in relation to anti-fraud procedures (Including preventative measures).

7.3 Details of a sample fraud cases are reported at Appendix 1.

Housing/Tenancy Fraud

7.4 CAFS continues to provide an investigative support resource across all aspects of housing, from the initial applications for assistance to the investigation of tenancy breaches.

7.5 CAFS deal with any reactive allegation received and seeks 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

7.6 A new dedicated investigation resource has been employed within H&F Housing Department, and CAFS will continue to explore the working arrangements between this post and the Council's dedicated anti-fraud resource in respect of Tenancy Fraud investigations.

7.7 In the year to 31 March 2016 CAFS have successfully recovered 30 social housing properties; stopped 17 Right to Buys, prevented two false succession applications, and stopped five false Housing applications. At the year-end 68 cases remained under investigation of which six are either subject to current court action or have been issued with a formal "Notice to Quit".

Registered Social Landlords (RSLs)

7.8 CAFS continue to work in partnership with all RSLs operating across the Borough, sharing a common aim to prevent, detect and deter Tenancy Fraud.

7.9 CAFS provide investigative support in order to recover properties on behalf of the RSLs with the understanding that when CAFS recover a fraudulently sub-let property, the nomination rights to that property (or one of a similar size) is offered to the Council.

7.10 The partnership working has greatly benefited H&F with the recovery of 18 properties, meaning an addition 18 properties that H&F can allocate to those in genuine need of assistance.

7.11 Details of significant investigations are reported at Appendix 1, for information.

8. FRAUD DETERRENCE

8.1 Preventing fraud and corruption from happening in the first place must be our primary aim. However, those who keep on trying may still succeed. It is therefore important that a robust enforcement response is available to pursue fraudsters and deter others.

Prosecution

8.2 In the year to 31 March 2016 CAFS successfully prosecuted eight offenders including an individual who failed to declare that she already owned a property when she presented herself to the Council as homeless.

8.3 Details of significant prosecutions are reported at Appendix 1, for information.

Proceeds of crime act

8.4 The use of dedicated Financial Investigators continues to provide rewards with just over £484k confiscated from convicted offenders as a result of Proceeds of Crime intervention.

8.5 Financial investigators continue to actively pursuing opportunities to assist other departments across the Council, working closely with the Legal Services as suitable cases are identified.

9. OPTIONS AND ANALYSIS OF OPTIONS

Not applicable

10. CONSULTATION

Not applicable

11. EQUALITY IMPLICATIONS

Not applicable

12. LEGAL IMPLICATIONS

Not applicable.

13. FINANCIAL AND RESOURCES IMPLICATIONS

Not applicable.

14. RISK MANAGEMENT

Not applicable.

15. PROCUREMENT AND IT STRATEGY IMPLICATIONS

Not applicable.

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

None.

APPENDIX 1
Anti-fraud Activity 2015/2016 – Case Examples

	Case Description	Result/Outcome
1.	<p>EMPLOYEE – An allegation was received from a member of the public that a Council Officer was failing to fulfil his duties and that he may have been using a satellite office to receive personal mail.</p> <p>Initial enquiries by the officer’s manager found personal belongings at the site which appeared to corroborate the allegations.</p> <p>The matter was passed to CAFS who conducted a more in depth investigation which revealed fake documentation created by the employee, and sent to a University to support an unknown individual grant application.</p> <p>The employee had created the counterfeit reference on his work computer, completing the deception by forging the signature of a former Council employee. [The ex-employee later verified the signature was not theirs].</p> <p>Although no financial loss was incurred, the fake reference purport to be from a manager at H&F and he had therefore brought the Council into disrepute.</p>	<p>The evidence gathered was presented to Human Resources who began disciplinary proceedings. Ahead of a scheduled hearing the employee resigned.</p>

<p>2.</p>	<p>EMPLOYEE - CAFS received a referral via Human Resources. A temporary manager operating within Family and Children's Services had identified several financial irregularities and wanted the assistance of CAFS to investigate.</p> <p>Initial enquiries identified excessive use of taxis to attend meetings with clients. Furthermore, discrepancies had been identified in the petty cash transactions, with large amounts being claimed in comparison to what clients were receiving.</p> <p>Upon closer inspection investigators identified expenses being claimed for taxi journeys when the staff member was on leave, and at weekends. None of these could be attributed to work related trips.</p> <p>The petty cash transactions showed several claims for £300, although the clients gave statements to say they had received only £250.</p>	<p>The Council followed the disciplinary process although due to ill health it was not in the public's interest to pursue the offender via the criminal court.</p> <p>A full review of the financial controls remains on-going.</p>
<p>3.</p>	<p>PERSONAL BUDGET - CAFS received a referral from Adult Social Care regarding the misappropriation of funds intended to pay for care provisions.</p> <p>Investigations revealed that the client had changed her name and had been using both her current and former names to deceive Adult Social Care.</p> <p>When applying for a care package from the Council, they cited a paid carer, but this paid carer was merely herself (her former name) and the invoice details were those of her former bank account.</p>	<p>In total, payments between February 2013 and October 2014 were deemed fraudulent, and amounted to £17,120</p> <p>Due to ill health we were advised that any action against the subject would have a detrimental effect, and the case was deemed not to be in the public's interest.</p> <p>The debt is currently being repaid.</p>

<p>4.</p>	<p>Home Loss Payment Fraud – The Earl’s Court Regeneration Team referred a Home Loss application to CAFS when they doubted the residency of the leaseholder in Ivatt Place.</p> <p>Under the Land Compensation Act 1973 a property owner who is displaced from their home as a result of a compulsory purchase order, is eligible for compensation up to and including a maximum amount of £49,000. However, the regulations state that to be eligible the homeowner must also be the occupier.</p> <p>Visits to the property found evidence of residents, but none of them were the owner. The visits also showed that the property had been converted, without planning permission, so that all rooms (except the kitchen and bathroom) were converted into bedrooms in order to maximise the number of tenants the owner could rent to.</p>	<p>Further enquiries by CAFS including financial links and residents parking permits proved the leaseholder’s main and principle home was not Ivatt Place.</p> <p>The evidence was passed to the Regeneration Team and as a result of the investigation the compensation payment was refused.</p>
<p>5.</p>	<p>HOUSING FRAUD – In September 2015 Housing received a new application for housing, and in accordance with the preventative measures implemented by CAFS, the Housing Officer used the “NFI application checker” tool.</p> <p>The “application checker” revealed that the applicant was linked to an address in the London Borough of Ealing even though her application said she lived with her mother, and therefore connected her to the Borough.</p> <p>The case was passed to CAFS who confirmed that for the last 16 months she was living in Ealing, having also claimed benefits there up to June 2015.</p>	<p>The subject initially appealed against the decision to remove her from the Common Housing Register, but using the evidence presented by CAFS the decision was upheld.</p>

<p>6.</p>	<p>TENANCY FRAUD – CAFS received a referral which suggested that the tenant of Council property in Strode Road, Fulham was sub-letting the address.</p> <p>When investigators visited the house, the tenant showed them around but refused them entry to the garden and shed and stated he didn't know where the key was to a locked bedroom on the second floor. He said a male friend found in one of the rooms was visiting from east London, but could not provide the officers with his surname, nationality or where he lived.</p> <p>The investigators later cross-referenced the mobile telephone number of the tenant, which was provided when he'd applied for a parking permit, against advertising website Gumtree and found adverts for rooms to rent, which the officers recognised as those they had seen earlier.</p> <p>Working in partnership with the police and the DWP, the property was raided in the early hours of October 2014 and the full scale of the fraud was uncovered.</p> <p>The tenant had been renting rooms out for between £645-£700 per room per month, plus £80-£100 a month towards utilities and deposits of £300-£540 per room.</p> <p>To maximise his illegal income, by making as many rooms as possible available to let, the tenant was living in the garden shed. He had converted it into living quarters with an en-suite bathroom and built-in wardrobe so he could live in comfort while he profited from more than £95,000 in benefits, plus the income from his sub-letting.</p>	<p>Evidence amassed from financial records and correspondence seized at the address showed the deception had continued for 12 years, and resulted in an overpayment of benefits in excess of £95,000 (£44,705.55 housing benefit, £10,997.63 council tax benefit and £39,737.61 jobseekers allowance).</p> <p>On 21 August 2015 at Isleworth Crown Court the tenant was jailed for 10 months. The judge reduced the sentence from 15 months to 10 months on account of the tenant's early guilty plea, age and various medical conditions.</p> <p>The Council were awarded outright possession of the 4bedroom property. Eviction took place in March 2016 and the property is now being made ready to support a family in genuine need of assistance</p>
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<p>7.</p>	<p>TENANCY FRAUD & RTB – Where Homebuy receive new Right to Buy applications, the files are passed to CAFS in order to vet the applicant, this often includes checks regarding Anti-Money Laundering (AML).</p> <p>A RTB application for a property in Margavine Road, W6 suggested that the tenant was linked to an alternative address.</p> <p>Further enquiries were undertaken, and the tenant asked to complete an AML Form. The returned form confirmed the tenant owned property elsewhere although she said this was investment purposes only.</p> <p>However, evidence gathered, including financial records, showed she had not been resident at the H&F address for over 5 years, and that the property she owned was not for “investment purposes” but in fact her main and principle home.</p>	<p>Upon the return of the AML form her RTB application was quashed. Furthermore, the evidence enabled Housing Officers to serve a Notice to Quit.</p> <p>On 16 November 2015 the subject handed back the keys to the property.</p> <p><i>[Three bedroom property recovered and allocated to a family in genuine need of assistance. The Right to Buy, and a £105,000 discount, quashed.]</i></p>
<p>8.</p>	<p>RIGHT TO BUY (RTB) – CAFS received an anonymous allegation that a tenant in Frithville Gardens had submitted a fraudulent RTB application.</p> <p>The applicant had declared a link to an address in Hartlepool, but detailed that this was an old rental address prior to moving to London.</p> <p>However, investigations revealed that the applicant was never the tenant, but was in fact, and continued to be, the owner of the property.</p>	<p>Homebuy Team confirmed that this was a breach of the RTB criteria and the application was rejected.</p> <p>Having now discovered they were home owners at the point of being housed by LBHF, investigations remain on-going as to the legitimacy of the original housing application.</p>

<p>9.</p>	<p>TENANCY FRAUD – CAFS received an allegation from a Housing Officer that suggested the tenant of a property in Lakeside Road was no longer living there, but instead the tenant’s son was resident and sub-letting some of the rooms.</p> <p>Investigators made several visits to the property to verify residency but all were unsuccessful. However, deskbound enquiries revealed;</p> <ul style="list-style-type: none"> • The tenant was financially linked to a property in Brighton. • HM Land Registry verified the H&F tenant to be the owner of the Brighton property, and had been since 2008. • Bank statements showed cash machine withdrawals were all made from branches in and around the Brighton area. 	<p>In view of the evidence gathered the tenant was invited to attend an interview under caution.</p> <p>The tenant attended the meeting with her daughter who waited outside the interview room. Just as the investigator was about to start the CD recorder, the tenant asked if she could speak to her daughter.</p> <p>The tenant returned to the interview room where she said, “I don’t want trouble”, and asked to sign a “Notice to Vacate” form.</p> <p>Shortly after the keys to the address were returned to the housing officer.</p> <p><i>[Three bedroom property recovered and now occupied by a family in genuine need of assistance]</i></p>
<p>10.</p>	<p>HOUSING FRAUD – CAFS received an allegation from H&F Direct when a female presented herself as homeless. She had explained that her previous landlord in Askew Road had evicted her unfairly. They claimed she had not paid any rent, but she refuted this and presented a bank statement showing payments.</p> <p>The vigilant Officer in H&F Direct became suspicious of the bank statement and referred the matter to CAFS.</p> <p>CAFS’s financial investigators contacted their banking counterparts who confirmed the bank statements were forgeries. They supplied the originals and when compared to those presented by the applicant showed no rent payments had been made in the last six months.</p>	<p>The applicant was invited to attend three interviews under caution but on each occasion she failed to appear.</p> <p>She stopped engaging with CAFS, and in January 2016 H&F Direct discharged their duty to house.</p>

<p>11. TENANCY FRAUD – CAFS received an allegation from Housing that suggested the tenant of a property in Mackenzie Close was not resident.</p> <p>Initial intelligence checks linked the tenant to an address in Ealing, but also linked him to several alias. A check with the Home Office confirmed that he had changed his name several times.</p> <p>The amount of names attributed to the tenant made the investigation extremely complex, however the investigator was able to amass sufficient evidence to show that the tenant;</p> <ul style="list-style-type: none"> • Lived in Ealing • Owned a property in Ealing • Had an outstanding mortgage • Ran a business importing wildlife to UK zoos <p>There was no evidence to suggest the MacKenzie Close address was being sub-let but the evidence did suggest it was not his main and principle home. The evidence also suggested he may have been using the property as a business address.</p> <p>Following discussions with the local police a decision was taken to obtain a warrant and the property was searched. Documentary evidence found confirmed the above information, as well several items which were seized by the police – these matter have been dealt with separately.</p>	<p>The evidence was presented to HRD and the Council’s solicitors who immediately began repossession action.</p> <p>Throughout the tenant failed to attend interviews or initial court hearings. But on the day of the eviction he made a last minute attempt to adjourn the matter, but this was thrown out by the judge.</p> <p>The property was recovered with the assistance of bailiffs in December 2015.</p> <p><i>[Three bedroom property recovered and now occupied by a family in genuine need of assistance]</i></p>
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<p>12.</p>	<p>TENANCY FRAUD (Shepherds Bush Housing Group) – CAFS received an allegation from a Shepherds Bush Housing Group (SBHG) Housing Officer who had conducted a residency check and found unknown residents.</p> <p>The property in Cairns House, Wandsworth Bridge Road, had various different names on the electoral register, and a similar response was received when the investigator conducted financial checks.</p> <p>Using powers under the Prevention of Social Housing Fraud Act the investigator obtained bank statements which showed a high volume of credits from different individuals. These payments were referenced with annotations that included, “rent”, “deposit” and “Cairns House rent”.</p> <p>During interview the tenant denied all allegations of subletting, stating the payments were merely from friends who were part of a “partner group”. These are collective schemes which allow friends to save together.</p>	<p>The evidence was shared with SBHG solicitors who were satisfied that CAFS had gathered sufficient evidence to proceed to court for possession.</p> <p>During the subsequent hearing the tenant attended unrepresented asking for an adjournment which the judge refused.</p> <p>Having been refused the adjournment the tenant walked out of court saying she no longer wanted to participate and will be appealing the decision. The judge tried to explain that no decision had been made but the tenant left.</p> <p>The hearing commenced and the judge awarded outright possession forthwith and awarded costs.</p> <p><i>[Two bedroom property recovered and now occupied by a family in genuine need of assistance]</i></p>
<p>13.</p>	<p>TENANCY FRAUD (NHHG) – CAFS received an allegation from a NHHG Housing Officer that suggested the tenant of a property in Girdlers Road was not the tenant but had assumed the identity of their real tenant.</p> <p>The only information their records held was a photocopy of an Oystercard.</p> <p>CAFS began their enquiries and discovered that financial records only listed a “third party” as having bank accounts at the property. There was no information regarding the</p>	<p>The evidence was shared with NHHG who immediately issues a Notice to Quit and commenced legal proceedings.</p> <p>But before the first hearing NHHG received the keys in an envelope, and upon inspection they found a vacant property.</p> <p><i>[One bedroom property recovered and now occupied by a family in genuine need of assistance]</i></p>

	<p>actual tenant.</p> <p>The investigator made enquiries with UK Passport Office and obtained a copy of the passport belonging to the "third party". It clearly showed that a match between the images on the Oystercard and passport, and thereby evidencing the fact that the real tenant's identity had been hi-jacked by this "third party".</p>	
<p>14.</p>	<p>TENANCY FRAUD (Peabody Trust) – CAFS received an allegation from a Peabody Housing Officer who had not seen the tenant of a Peabody Building (Lillie Road) address.</p> <p>There had been a young male residing, but the tenant, a middle aged woman, had not been seen.</p> <p>CAFS investigation showed that the tenant had not been linked to the property for some time. The only financial links were a male, who transpired to be the nephew of the tenant.</p> <p>The tenant's financial trail ceased in 2014 when she stopped paying rent and Council Tax via direct debit. At this time payments changed to cash which suggested she vacated at this time and left the property to the nephew, thereby circumvented the process of allocation.</p>	<p>The evidence was shared with Peabody who immediately issues a Notice to Quit and commenced legal proceedings.</p> <p>But before the first hearing Peabody the nephew attended Peabody Offices where he returned the keys.</p> <p><i>[Two bedroom property recovered and now occupied by a family in genuine need of assistance]</i></p>
<p>15.</p>	<p>TENANCY (Peabody Trust) – A case was referred by a housing officer from Peabody Trust, concerned that their tenant was no longer living in the UK and subletting the address in Fulham Palace Road.</p>	<p>The evidence was presented to the housing officer who immediately issued a Notice to Quit.</p> <p>On 12th April 2015 the property was surrendered.</p>

	<p>Initial deskbound checks failed to locate an alternative address for the tenant, but a review of the electoral register showed she was no longer registered, and had from time to time been added and then removed.</p> <p>Visits to the property were unsuccessful, but a late night visit by investigators found a couple resident. They explained that they were from the Philippines and had come to the UK to work in Charing Cross Hospital. They found the property advertised on one of the nurse's notice boards.</p> <p>Officers also discovered that the second bedroom was also being sublet to a hospital worker.</p> <p>It transpired that the tenant had immigrated to the Philippines, but left the keys to the property with a friend who effectively acted as managing agent; advertising the property, showing prospective tenants around and organising rental payments direct to the tenant's bank account.</p>	<p><i>[two bedroom property recovered and nomination rights passed to H&F]</i></p>
<p>16.</p>	<p>TENANCY (L&Q) – A case was referred by a housing officer from L&Q, were concerned that their tenant was no longer living at the address in Albion Mews, W6, but subletting the property.</p> <p>The Housing Officer was alerted to the fact that subtenants had made an application for housing benefit, and wanted CAFS to investigate further.</p> <p>The investigation revealed that the tenant had absconded,</p>	<p>The evidence was presented to the housing officer who immediately issued a Notice to Quit.</p> <p>On 24 November 2015 the property was surrendered and L&Q obtained vacant possession.</p> <p><i>[two bedroom property recovered and nomination rights passed to H&F]</i></p>

	<p>passing the keys to a friend who then let the property, effectively acting as a caretaker.</p>	
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Evidence was obtained from the subtenants but CAFS were unable to track down the original tenant.

Fighting Fraud & Corruption

LOCALLY

The local government counter fraud and corruption strategy

2016 - 2019

Supported by:



**CIPFA COUNTER
FRAUD CENTRE**

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Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. Its production and subsequent implementation is overseen by an independent board, which includes representation from key stakeholders. The board commissioned the drafting and publication of the strategy from the CIPFA Counter Fraud Centre.

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.



With support from:



Foreword by Cllr Claire Kober

Since the last Fighting Fraud Locally Strategy was published in 2011, the landscape has changed considerably for local government. Councils have dealt with unprecedented reductions in funding – up to 40% of central funding over the life of the previous Parliament and further real term reductions announced in the November 2015 Spending Review.

Rather than taking the approach of managing decline, councils have innovated, collaborated and prioritised in order to protect vital services.

Innovation is as important in fighting fraud as any area of council activity to keep ahead of fraudsters and prevent resources being taken away from delivering services to those who need them.

The transfer of welfare benefits fraud investigation staff to the DWP's Single Fraud Investigation Service means that councils need to reconsider how they counter other areas of fraud. The new Fighting Fraud and Corruption Locally Strategy is timely and should be of great help to councils in developing new approaches.

There are many examples of success but it is worth focussing on the Audit Commission's annual report in October 2014 that reported a 400% increase in right to buy fraud in London; a fact which we in Haringey anticipated over two years ago when the maximum discount available to purchase a home under the right to buy scheme was increased to £100k.

Our Fraud Team in Haringey has been working pro-actively with services across the council since 2013 to investigate potential right to buy fraud. Joining up housing, benefits and fraud teams effectively has meant that we have prevented over 120 cases of right to buy fraud, saving £12m in discounts and retaining the property for use as much needed social housing.

Where we have identified tenancy and benefit fraud alongside the right to buy fraud, we recover the property to help provide homes for those people and families in most need; and we are prosecuting the most serious cases. Secondly, our Benefits Team has been working to make it more difficult for fraud and error to occur in the first place.

Claimants are now asked to periodically resubmit current evidence of their circumstances, especially

their income, and long running claims are now reviewed in depth more often, particularly in high risk areas – those where circumstances might be expected to have changed.

We are also making it easier for claimants to tell us of changes in circumstances and reminding them that they need to tell us, and we are looking at sharing data with other agencies. Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant.

Councils do have a good record in countering fraud and the strategy contains numerous case studies and examples of successes. Councils also have an excellent record in collaboration with the LGA's improvement team recording more than 350 successful examples of councils working together to save money and improve services, and collaboration to counter and prevent fraud is a theme running through the strategy.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work.



Claire Kober

Chair Resources Portfolio Local Government Association and Leader Haringey Borough Council

Foreword by Marcus Jones MP

Fraudsters cost the local tax payer many millions of pounds each year. Indeed the estimated loss of £2.1bn quoted in this Strategy is felt to be an underestimate of the total cost to local government.

This is of concern as much to central government as it is to councils. The Strategy rightly places an emphasis on council leaders, chief executives and finance directors to provide the local leadership to take action to protect the public purse.

At a time when every penny should be invested in delivering high quality services to local people, tackling fraud head on should be a priority.

The recent figures from the Office of National Statistics show that an increasing amount of fraud is being reported to the police, Cifas and Financial Fraud Action UK.

The risks are clear, councils must ensure they are active in looking for and identifying fraud and embedding a counter fraud culture at the heart of their organisation.

Currently there is a disparity of effort in tackling this kind of criminal activity across the sector, this is a concern. Some invest in dedicated counter fraud activity and some do not, and the Strategy is right to point out that councils should take an 'invest to save' approach.

I know this is not easy, there have been some successes but more councils need to go further. The Government has helped councils, and last year provided an injection of £16m through the Counter Fraud Fund to support a wide range of council led projects across the country.

The challenge is now for local government to build on this investment, share the learning, and raise the bar. A clear message needs to be sent to fraudsters that councils won't put up with fraud of any sort. As the Strategy says – it is about having robust systems in place to prevent fraud occurring in the first place.

To look in the right areas, by taking a risk based approach to identify fraud, and where fraud is found to publicise it widely and use it as deterrent. And councils will be judged by their residents on their results.

I fully believe the onus lies rightly at the top of the organisation to set the tone and culture that councils are serious and won't tolerate fraud, that all parts of the organisation have a job to build fraud resilience into their systems, to actively look for, and where they find it prosecute fraudsters.

I hope and expect this strategy to be the spring board for councils to go further than before.



Marcus Jones MP

Parliamentary Under Secretary of State
(Minister for Local Government)

Executive Summary

Fighting Fraud and Corruption Locally is the new counter fraud and corruption strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters account more quickly and efficiently, and improve the recovery of losses.

This strategy is aimed at council leaders, chief executives, finance directors, and all those charged with governance in local authorities. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategy, written in 2011.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tougher stance. This includes tackling cross boundary and organised fraud and corruption attempts, as well as addressing new risks.

In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

This will offer opportunities to support the National Crime Agency in the fight against organised crime and work with the CIPFA Counter Fraud Centre, which has agreed to take on the hosting of Fighting Fraud and Corruption Locally, and other leaders in this field. Local authorities reported that they were still encountering barriers to tackling fraud effectively, including incentives, information sharing and powers.

The strategy also addresses the issue of new anti-corruption measures for local authorities and integrates the relevant elements of the government's Anti-Corruption Plan.

In response to these challenges, local authorities will need to continue to follow the principles developed in Fighting Fraud Locally 2011 (FFL):

- **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat.

This strategy sets out ways in which local authorities can further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes that emerged from the research:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

“At a time when resources are becoming ever more scarce, all of us involved in delivering local public services are looking at ways of doing more with less. Acknowledging the risk of fraud and committing resources to tackle it, taking steps to prevent fraud and pursuing offenders must be part of the answer. What we have learnt as a consequence of our continuing work is that success in this field depends not just on what you do but how you do it. Having an embedded anti-fraud approach across an organisation is critical to success and by focusing this strategy on the cross cutting themes of culture, capability, capacity, competence, communication, and collaboration will in my view help ensure that an anti-fraud approach becomes integral to the way we work.

Charlie Adan

Chief Executive Babergh and Mid Suffolk



The Companion to this document contains a section on each of these themes, with information on fraud risks, good practice and case studies to assist local authorities in strengthening their response and ensuring that it is fit for purpose.

This strategy also identifies the areas of focus that will make the most difference to local authorities' counter fraud efforts. These are:

- Leadership
- Assessing and understanding the scope of fraud and corruption risks
- Making the business case
- Using resources more effectively
- Collaborating to improve
- Using technology to tackle fraud
- Tackling corruption

Many local authorities have demonstrated that they can tackle fraud innovatively and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings.

For example:

- Birmingham City Council, working with other agencies, secured a confiscation order against 2 organised fraudsters of £380,000
- The London Borough of Lewisham, working with Lewisham Homes, recouped £74,000 from one internal fraudster
- The Royal Borough of Kensington and Chelsea, by using data matching techniques to prevent fraud, made savings of £376,000 in the first year, and £250,000 for the following two years.

This strategy has been designed for local authorities by local authorities and other stakeholders. It provides a firm and practical basis to help them to take the next steps in the continuing fight against fraud and corruption.

The strategy:

- Calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- Illustrates the financial benefits that can accrue from fighting fraud more effectively
- Calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- Updates and builds upon *Fighting Fraud Locally 2011* in the light of developments such as *The Serious and Organised Crime Strategy* and the first *UK Anti-Corruption Plan*
- Sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

It is now for elected members, chief executives, finance directors, and all those charged with governance to ensure this strategy is adopted and implemented in their local authorities.

Introduction

This strategy document is aimed primarily at elected members, chief executives, finance directors, and those charged with governance in local authorities. A companion document aimed at counter fraud practitioners in local authorities has been produced, which lays out detailed actions for them. The strategy sets out the approach local authorities should take and the main areas of focus over the next three years in order to transform counter fraud and corruption performance, and contains major recommendations for local authorities and other stakeholders.

The strategy is based upon research carried out by the CIPFA Counter Fraud Centre.

This consisted of:

- Workshops conducted in York, Birmingham and London with over 90 attendees
- Twelve individual interviews with key stakeholders from the counter fraud landscape including local authority representative groups, the National Anti-Fraud Network, the Home Office and the Audit Commission
- Specific focussed interviews with subject matter experts
- Three regional workshops attended by around 70 practitioners focussed on particular fraud types and barriers
- A workshop focussing on anti-corruption risks
- A survey placed on the website of the Local Authority Investigators Group on fraud risks and barriers
- Desktop research of publications and counter fraud literature, including new legislation. These documents are listed in The Companion.

By following this strategy local government will be better able to protect itself from fraud and corruption and will provide a more effective fraud response.



Our vision is that by 2019:

- There is a culture in which fraud and corruption are unacceptable and everyone plays a part in eradicating them
- By better understanding of risk and using technology local authorities will shut the door to fraudsters who try to access their systems or services
- Local authorities will have invested in sustainable systems to tackle fraud and corruption and will see the results of recovery
- Local authorities will be sharing information more effectively and by using advanced data technology will prevent and detect losses
- Fraudsters will be brought to account quickly and efficiently and losses will be recovered.

Since the first local government counter fraud strategy, *Fighting Fraud Locally*, was published in 2011, local authorities have made significant progress in tackling fraud by acknowledging and understanding the risks they face and by collaborating, making more use of technology and information sharing to prevent fraud.

In addition, local authorities have made good use of legislation to recover assets and to take action against fraudsters. There are many examples in this document and the companion that demonstrate the efforts and achievements of local authorities despite reductions in resources and a changing enforcement landscape.

Local authorities should be commended for their part in the fight against fraud and other agencies should learn from their good practice. However, the scale of losses demonstrate that more needs to be done. The landscape continues to change and local authorities will need to respond within the context of budget reductions. There is a need to do more with less.

This document is divided into three sections:

Section 1: The Fraud Challenge

Sets out the nature and the scale of fraud losses, the changes to the national and public sector fraud landscape that require a response from local authorities, and the key issues raised by stakeholders.

Section 2: The Strategic Response

Describes the response that is required from local authorities to address the challenges it is facing, identifying the activities necessary in order to achieve the strategic vision.

Section 3: Delivery Plan

Sets out the recommendations and the framework for delivery.

The Companion

This additional document is aimed at counter fraud practitioners in local authorities and taken together with this strategy sets out a comprehensive blueprint for counter fraud and corruption activities that will deliver the vision.

It identifies the most pressing and serious fraud risks and sets out ways of tackling them, as well as identifying the key organisations that local authorities should work with and the roles they play.



Birmingham City Council has invested in creating an anti-fraud culture for some years and a number of examples of its good practice are contained within this document.

At Birmingham City Council, we are committed to protecting the public funds that we are entrusted with. In these times of austerity, the minimisation of losses to fraud and corruption is even more important in ensuring that resources are used for their intended purpose of providing essential services to the citizens of Birmingham.

Through our values, policies and procedures, the council has sought to develop an anti-fraud culture and maintain high ethical standards in its administration of public funds. Anyone who commits, or attempts to commit, fraudulent or corrupt acts against the council, will be held to account in a decisive manner.

The work of our Counter Fraud Team in identifying fraud is invaluable in ensuring that our scarce resources are protected. The development of a sophisticated data analysis capability enables the team not only to detect fraud, but helps our frontline services to prevent it as well. This helps to make sure that the council's services are provided to only those in genuine need and that our valuable resources are directed to where they are needed most".

Mark Rogers

Chief Executive, Birmingham City Council

Section 1: The Fraud Challenge

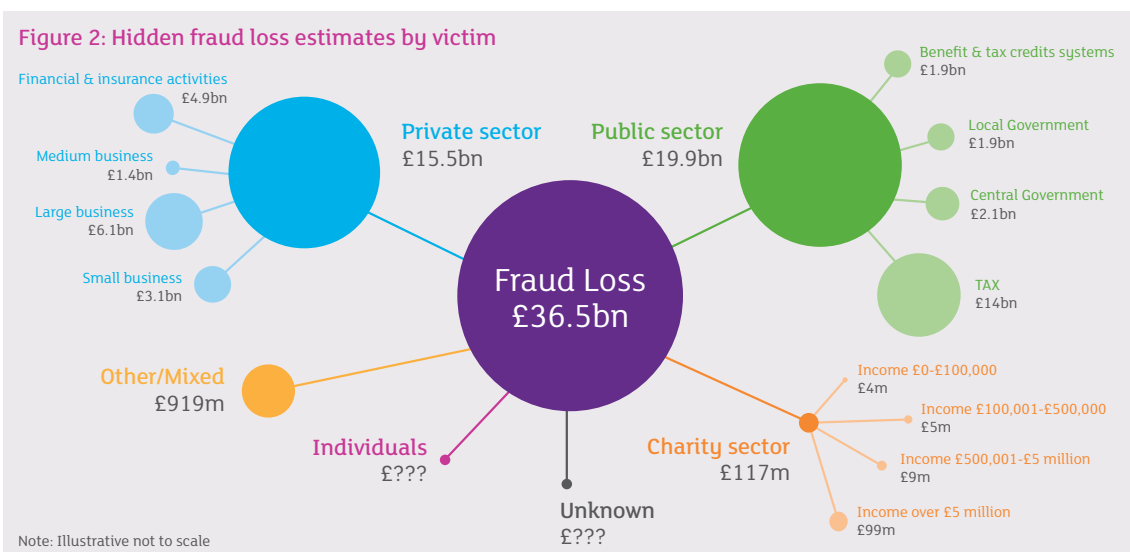
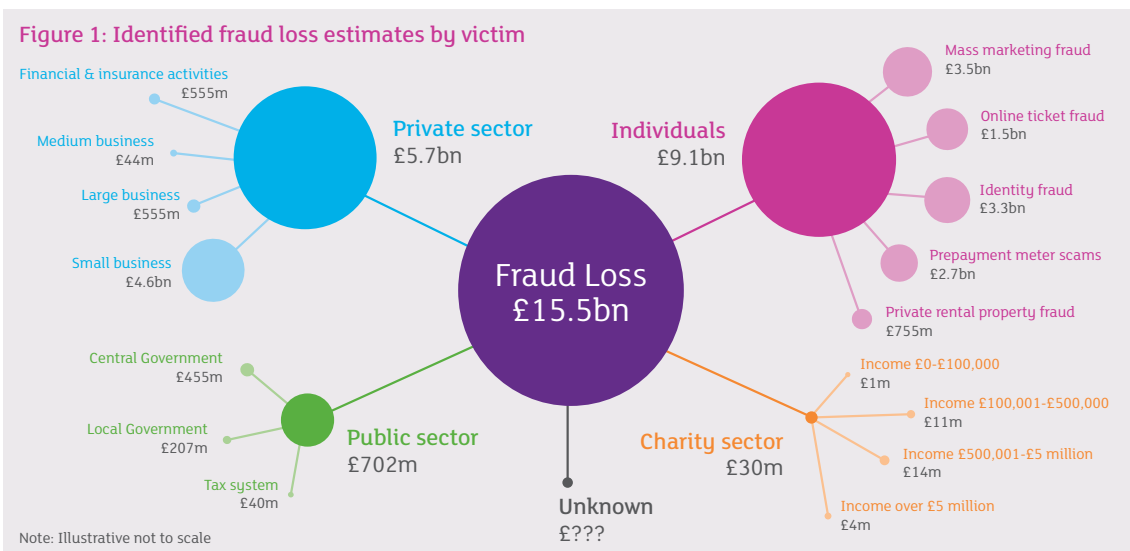
In compiling the evidence that underpins this strategy it became clear that there are three main areas of concern that necessitate a coordinated response from local authorities:

- The scale of fraud losses
- Changes to the national and public sector counter fraud landscape
- Issues raised directly by stakeholders.

The Scale of Fraud Losses

It is accepted that fraud affects the UK across all sectors and causes significant harm. The last, most reliable and comprehensive set of figures was published by the National Fraud Authority in 2013, and indicates that fraud may be costing the UK £52bn a year.

Within these figures the estimated loss to local authorities totalled £2.1bn. The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:



Annual Fraud Indicator 2013

Estimated Local Government Fraud Loss 2013

Fraud Type	Estimated Loss	Fraud Type	Estimated Loss
Housing tenancy fraud	£845m	Blue Badge Scheme misuse	£46m
Procurement fraud	£876m	Grant fraud	£35m
Payroll Fraud	£154m	Pension fraud	£7.1m
Council Tax fraud	£133m		

Annual Fraud Indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss.

The Audit Commission's Protecting the Public Purse 2014 identified detected fraud to the value of £188m following a comprehensive survey of local authorities: this was fraud after the event and did not include potential losses.

Local authorities detected 3% fewer cases of fraud than in the previous exercise but the value increased by 6%, which implies larger fraud cases.

It is clear, even allowing for inaccuracies in the measurement of fraud risk and the absence of recent data, that like other sectors of the economy local government is under attack from fraudsters and the scale of losses to local authorities is significant. There are opportunities for local authorities to take action to reduce their losses, and these are discussed in Section 2 of this document.

Changes to the National and Public Sector Counter Fraud Landscape

Since Fighting Fraud Locally was published in 2011, there have been significant changes in the landscape nationally, including areas covering organised fraud and anti-corruption.

The National Response to Serious and Organised Crime

The National Crime Agency was created in October 2013, and in May 2014 published the National Strategic Assessment of Serious and Organised Crime. Organised crime costs the United Kingdom £24bn each year and includes drug trafficking, human trafficking, organised illegal immigration,

high value crimes, counterfeiting, organised acquisitive crime and cybercrime.

Serious and organised criminals operate across police force boundaries and in complex ways, and the police require sophisticated capabilities to detect and disrupt their activity. The Government invested in the development of the Regional Organised Crime Unit (ROCU) network to ensure that forces have access to the capabilities they need to tackle these threats. Regional Organised Crime Units provide high end specialist capability, including regional fraud teams, to local forces tackling the threat from serious and organised crime in their region.

Action Fraud is the national reporting point for fraud and also cyber crime. As of April 2014, both Action Fraud and the NFIB are run by the City of London Police, which is the UK's lead force for fraud. This change was made by the Government to ensure that one body was responsible for the whole process of recording and analysing reports of all types of fraud.

Organised crime affects local authorities as well as other organisations. The Government launched a new Serious and Organised Crime Strategy in October 2013. Its aim is to substantially reduce the level of serious and organised crime affecting the UK and its interests. All frauds, including those committed within the context of local government should be reported to Action Fraud, either by calling: **0300 123 2040** or by visiting: www.actionfraud.police.uk/report_fraud.

The National Crime Agency (NCA) leads work against serious and organised crime, coordinating the law enforcement response, ensuring that action against criminals and organised criminal groups is prioritised according to the threat they present.

Police forces will continue to conduct most law enforcement work on serious and organised crime. They should be supported by local organised crime partnerships boards, including local authorities and

agencies to ensure all available information and powers are used against this threat.

Local government is not immune from organised fraud. Recent years have seen a number of fraud cases where perpetrators have been part of a larger criminal network. Organised frauds often cross local authority boundaries and investigations tend to be complex, requiring the deployment of specialist resources, such as computer forensics or surveillance capability. Such resources are expensive and expertise needs to be used constantly to maintain effectiveness.

Although organised crime may not immediately seem to be a direct threat to local authorities, many organisations have already been subjected to fraud, money laundering, identity crime, intellectual property crime and theft of assets. Local authorities may be targeted by organised crime, whether to obtain council resources or to fund other activities. Local authorities need to consider how they can protect their employees, communities, businesses and themselves from the threat of organised crime.

Anti-Corruption

On 18 December 2014 the Home Office published the first UK Anti-Corruption Plan. The aim of the plan is to bring about a co-ordinated and collaborative approach, setting out clear actions and priorities. The plan covers both UK and international activities, and includes local government.

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Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question.

However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.”

Prof Alan Doig – Visiting Professor,
Centre for Public Services Management,
Liverpool Business School, Liverpool John Moores University

The response to corruption follows the UK's four components of the Serious and Organised Crime Strategy:

- **Pursue:** prosecuting and disrupting people engaged in serious and organised criminality
- **Prevent:** preventing people from engaging in serious and organised crime
- **Protect:** increasing protection against serious and organised crime
- **Prepare:** reducing the impact of this criminality where it takes place.

The plan sets out the immediate priorities for the government, which are to build a better picture of the threat from corruption, increase protection and strengthen the law enforcement response.

Local authorities are included in a number of areas within the plan as well as within a specific section. There are areas to which they should pay close attention and ensure that they have suitable arrangements in place and that they are up to date on current arrangements. It will require a change in culture and competence.

Local government is targeted by those who wish to corrupt local processes, such as housing or planning, for their own gain; and organised crime groups are known to target local officials to consolidate their status in communities.

UK Anti-Corruption Plan, December 2014

The NCA's Economic Crime Command also has a responsibility in respect of anti-bribery and anti-corruption. It is working with the CIPFA Counter Fraud Centre to raise awareness in this area and recommends a policy of zero tolerance to bribery and corruption, which should be endorsed by the chief executive, sound whistleblowing procedures and awareness training. The NCA also recommends reflecting the commitment in all relevant policies.

The Public Sector Fraud Response

The Cabinet Office published Tackling Fraud and Error in Government: a Report of the Fraud, Error and Debt Taskforce in 2012. That report set out an ambitious but focused delivery programme that sought to reduce levels of fraud and error across government.

In his foreword, The Rt. Hon. Francis Maude wrote: “We must continue to work together to support the national fraud strategy Fighting Fraud Together, and demonstrate the significant financial benefits that can be made in reducing the harm of fraud and error in the public sector.”

The Fraud, Error and Debt Taskforce was established under the 2010 to 2015 Conservative and Liberal Democrat coalition government, and was the strategic decision-making body for all fraud and error, debt and grant efficiency initiatives across government.

It met 6 times a year and included ministers, senior officials from relevant government departments, and experts from the private sector and the wider public sector. As a result of its work, this government is putting in place a fraud, error, debt and grants function and is reviewing associated groups.

As a result of the Taskforce’s work, central government is driving ahead with a broad agenda of activity on fraud, error, debt and grants. This include the roll out of the Debt Market Integrator, a new way of collecting public sector debt and developing capability across central government in countering fraud through the development of government standards for counter fraud work. It also includes projects to enhance the use of data analytics across government and increasing the efficiency and effectiveness of government grant

The National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud, is now under the control of the Cabinet Office. The NFI team continues to carry out data matching work with local authorities.

Fighting Fraud Locally 2011

Fighting Fraud Locally, published in 2011, was the first counter fraud strategy for local authorities. It set out the challenges facing local authorities and the response required, noting the good work already carried out and proposing action to overcome the barriers to further progress.

The initiative was supported and hosted by the National Fraud Authority (NFA), which led engagement with local authorities through an independent board on which stakeholders such as the Local Government Association, the Department

for Communities and Local Government, and counter fraud experts working in local authorities were represented.

As a result of Fighting Fraud Locally, local authorities and central government undertook many activities. The DCLG set up working groups to look at the areas raised by local government as barriers. Local authorities took part in around 34 pilots set by the NFA, an annual conference was set up, and an awards regime was established which eventually grew to include the whole public sector.

The NFA undertook an extensive engagement campaign with a national roadshow and events to publicise the work and garner support. It engaged CIPFA to provide a survey on FFL actions which began in 2012, and commissioned free tools and guides under the banner of FFL.

Following the abolition of the NFA in March 2014, most of its work was transferred into the National Crime Agency. Overseeing the delivery of the action plan associated with Fighting Fraud Locally remained the responsibility of the independent board. In October 2014, the Chartered Institute of Public Finance and Accountancy (CIPFA), which was already providing pro bono support by hosting the Fighting Fraud Locally web pages and providing several guides and tools, was asked by the independent board to take over the secretariat and begin research for the next iteration of the strategy.

The CIPFA Counter Fraud Centre now hosts Fighting Fraud and Corruption Locally, manages the secretariat and holds the Fighting Fraud and Corruption Locally Good Practice Bank.

Police Resources

Local authorities collaborate with the Police where appropriate. The law enforcement response to fraud is led by the City of London Police, which is the national lead force for fraud. The City of London Police runs Action Fraud, the national reporting service for fraud and cyber-crime.

It is not only local authorities that are affected by changes in the landscape and a reduction in resources due to the need to curb public expenditure: other enforcement agencies are also facing reductions. It is the view of local authorities that police will have reduced resources to support local authorities on tackling local authority led fraud.

Local authorities will therefore need to consider how they can achieve the results necessary by reconfiguring their approach to enforcement

Whistle-blowing Arrangements

The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing a comprehensive, management-led, anti-fraud and corruption culture needs to be maintained, including clear whistle-blowing arrangements.

These arrangements should ensure that staff and the public have access to a fraud and corruption whistle-blowing helpline, and should be kept under review.

The terms should conform to the British Standards Institute 2008 Whistle-blowing Arrangements Code of Practice as updated within the Code of Practice published in 2013 by the Whistle-blowing Commission set up by Public Concern at Work.

The Department for Business, Innovation and Skills, also recently published Whistle-blowing Guidance and a Code of Practice (March 2015) this helps employer's understand the law relating to whistle-blowing and provides practical advice for putting in place a robust whistle-blowing policy .

The NAO is available as a prescribed body to take calls from whistle-blowers and the NAO has good practice on its website.

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Whistleblowing arrangements help to provide employees of public bodies, and users of public services with confidence that wrongdoing or the misuse of public funds can be investigated by an independent and impartial party. This is all the more important where services are subject to considerable change and innovative ways of delivering those services are adopted.

The Head of the National Audit Office is a prescribed person for central government, and from 1 April will also be a prescribed person for local government – we take our responsibilities to provide an impartial and objective service extremely seriously, and draw on the lessons learned from our wider work, to support those who make reports to us.”

Sue Higgins

Executive Leader, National Audit Office

The Transparency Code

DCLG published The Transparency Code on 31 October 2014. The aim is to strengthen transparency within local government. It also affords the opportunity for residents to see how money is spent. The section in respect of local authorities is also referred to in the UK Anti-Corruption Plan as an aid to making anti-corruption issues more transparent.

The Code sets out requirements for local authorities to report on their counter fraud work:

The Code legally requires local authorities to publish annually details of their counter fraud work, including information about the number of occasions they use powers to obtain information from specified bodies to help investigate cases of fraud, the number of staff investigating fraud cases and the number of fraud cases they have investigated.

Specifically, local authorities must publish the following information about their counter fraud work:

- number of occasions they use powers under The Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
- total amount spent by the authority on the investigation and prosecution of fraud, and
- total number of fraud cases investigated.

The Code also recommends that local authorities publish details about the number of cases where fraud and irregularity has been identified and the monetary value for both categories that has been detected and recovered.

The above is an extract from the UK Anti Corruption Plan

Issues Raised Directly By Stakeholders

In addition to considering relevant policy and academic research, the foundations for this strategy were researched through a series of workshops, surveys, and face to face individual meetings.

There were many instances of good practice, collaborative working and examples of innovative use of data provided by participants.

Local authorities reported issues in the following areas:

Counter Fraud Capacity

Many local authority practitioners reported that the capacity to tackle fraud and corruption was likely to be reduced, or had already been reduced, as a result of austerity-related local authority funding reductions.

In many cases practitioners also reported that the skilled investigation resource transferred to the Department for Work and Pensions Single Fraud Investigation Service (SFIS) had not been replaced, and some stated that after the SFIS transfer their authority would have no fraud team.

Skills

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Some local authorities stated that they would recruit new staff or transfer staff into fraud-related work post SFIS, but raised the concern that they did not have budgets to train their staff to tackle new areas.

Culture

Some local authority practitioners reported that senior managers were finding it difficult to dedicate sufficient time to demonstrate their support for counter fraud activities due to the focus being on other priorities such as meeting budget savings targets and maintaining key services to residents.

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated.

Collaboration

Local authority practitioners demonstrated an appetite for working more formally across local authority boundaries and with other agencies, departments, and the private sector; but reported a range of difficulties in securing progress.

Some examples of this were: counter fraud work not being consistently prioritised; lack of financial incentives to make the business case; a lack of understanding of data protection rules; and lack of funding.

They also reported an appetite for innovative use of data and wider data sharing, but had encountered barriers to this or made very slow progress.

Local authorities further reported that they found it hard to obtain police involvement in their cases and that they did not receive feedback on cases from crime reporting hotlines.

“In times of austerity, collaboration is key. It is of increasing importance to consolidate the approach to fighting fraud and corruption across public services to better inform strategies and to gain a more comprehensive picture of the fraud landscape. We have created CIPFA’s Counter Fraud Centre to lead on creating a coordinated approach, as well as offering thought leadership and to fill the gaps led by others.”

Fraud is a pointless drain on resources emphasised by the need for local authorities to save every penny, but we are committed to helping authorities work together to tackle fraudulent activity, protecting the public pound.

Rob Whiteman, CEO CIPFA

Types of Fraud

Local authorities reported a wide range of fraud types. The main areas of fraud that were reported in Fighting Fraud Locally 2011 continue to feature as significant risks. However, there are also new fraud types emerging and some of these are more prevalent in particular parts of the country. It is clear that a one size fits all approach is not appropriate: local authorities will need to tailor their approach to their particular fraud risks.

Known Fraud Risks Remaining Significant

Tenancy – Fraudulent applications for housing or successions of tenancy, and subletting of the property.

Procurement – Tendering issues, split contracts, double invoicing.

Payroll – False employees, overtime claims, expenses.

Council tax – Discounts and exemptions, council tax support.

Blue Badge – Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees.

Grants – Work not carried out, funds diverted, ineligibility not declared.

Pensions – Deceased pensioner, overpayments, entitlement overstated.

Schools – Procurement fraud, payroll fraud, internal fraud.

Personal budgets – Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim.

Internal fraud – Diverting council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere while claiming to be off sick; false overtime claims; selling council property for personal gain; wrongfully claiming benefit while working.

Identity fraud – False identity / fictitious persons applying for services / payments.

Emerging / Increasing Fraud Risks

Business rates – Fraudulent applications for exemptions and reliefs, unlisted properties.

Right to buy – Fraudulent applications under the right to buy/acquire.

Money laundering – Exposure to suspect transactions.

Insurance Fraud – False claims including slips and trips.

Disabled Facility Grants – Fraudulent applications for adaptations to homes aimed at the disabled.

Concessionary travel schemes – Use of concession by ineligible person, including Freedom Passes.

No recourse to public funds – Fraudulent claim of eligibility.

New Responsibilities – Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts.

Commissioning of services – Including joint commissioning, third sector partnerships – conflicts of interest, collusion.

Local Enterprise Partnerships – Voluntary partnerships between local authorities and businesses. Procurement fraud, grant fraud.

Immigration – Including sham marriages. False entitlement to services and payments.

Cyber dependent crime and cyber enabled fraud – Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

Though uncommon, incidents of electoral fraud in the UK undermine wider public confidence in the electoral process and trust in the outcome of elections. Fraudulent electoral registration may also be linked to other types of financial or benefit fraud.

Electoral Registration Officers (EROs) and Returning Officers (ROs) are uniquely placed to identify incidents and patterns of activity that might indicate electoral fraud. In line with Electoral Commission guidance they should ensure mechanisms are in place to assess the risks and monitor indicators of possible electoral fraud.

It is essential that local authorities work in partnership with the police on any issues around registration and the planning for elections and share information relevant to identifying and preventing electoral fraud.

The ERO/RO should be in touch with the relevant police force's Single Point of Contact (SPOC) for electoral matters and agree the division of responsibilities and the approach for the ERO/RO to refer allegations of electoral fraud to the police where appropriate.

The police are responsible for investigating allegations of electoral fraud and should keep the ERO/RO informed of the progress of cases.

The Electoral Commission has identified 17 local authority areas in the UK which have a higher risk of allegations of electoral fraud, where it recommended a sustained approach to tackle the risks. It is essential that the EROs and ROs for those areas maintain their focus on electoral fraud prevention.

The Government is completing the roll-out of individual electoral registration across Great Britain, which will help reduce the scope for fraud.

The individual nature of the new registration system, in combination with increased assurance of the identity of applicants, means that the register now has greater value as a tool for local authorities and the police to aid in the prevention and detection of crime, including other forms of fraud.

Powers

In *Fighting Fraud Locally 2011*, local authorities reported that they did not have sufficient powers to tackle non benefit fraud and cited examples of this across their counter fraud activities. In the area of social housing fraud, the Department for Communities and Local Government dedicated resource to improving this situation and, in October 2013, The Prevention of Social Housing Fraud Act was introduced which enabled local authorities to acquire information by using new powers.

However, local authorities are still reporting that they do not have sufficient powers to tackle non benefit fraud. For example, local authorities reported having difficulty obtaining evidence from suppliers in procurement fraud investigations.

Further action is required to ensure that local authorities are able to deal with fraud effectively in all areas of their business.

Good Practice Case study – Manchester City Council

Manchester was awarded DCLG tenancy fraud funding to work in partnership with Registered Social Landlords in the area including:

- Review their tenancy fraud processes and procedures
- Produce a tenancy fraud publicity toolkit containing template leaflets and posters
- Develop capacity through delivery of training packages to enable partners to: identify tenancy fraud; gather evidence in compliance with CPIA 1996;
- Provide PACE awareness training enabling social housing staff to work alongside the council counter fraud specialists.

Kate Sullivan, Tenancy Enforcement and Support Manager at Adactus Housing said:

“The Fraud Investigations team has assisted Adactus with complex investigations and has worked with us to create the environment of a true partnership. The investigations they have carried out have been in cases where, prior to the project, we had drawn a blank and had been unable to gather meaningful evidence to proceed with a case.

The team has welcomed an Adactus member of staff to shadow its officers, which has been a valuable learning opportunity for my team member and given an understanding on both sides of the constraints both teams face.”

Barriers to Information Sharing

In *Fighting Fraud Locally 2011*, local authorities expressed frustration that they had difficulty obtaining information from government agencies and departments as well as from internal colleagues. They also provided examples of instances where they were not permitted to share data, even to tackle fraud.

A number of local authorities that subsequently set up hubs to collaborate and share information in line with recommendations in *Fighting Fraud Locally 2011* experienced difficulties over exchanging data and, even where they did not have difficulty,

processes were lengthy. Without exception, at every workshop during research, this issue was raised; across different types of fraud and across different agencies.

Incentives

During the development of Fighting Fraud Locally 2011, DCLG took on board issues raised about housing tenancy fraud and an incentive fund was created. Two tranches of funding were made available in 2009 and 2011 and the last tranche in 2015. This funding has enabled local authorities to set up bespoke counter fraud teams and to undertake data matching and other innovative measures.

Local authorities report that once this stream of funding expires, however, they will not be able to sustain activity in this area. The reason for this is that stopping a housing tenancy fraud rarely provides a cashable saving (tenants sub-letting their property are almost always very good rent payers) and it is difficult to identify sufficient financial benefit to support the business case to undertake counter fraud activity.

In December 2014, DCLG made available a one-off Counter Fraud Fund of £16m to support local authorities in tackling fraud in the period during which the SFIS is due to be implemented.

This fund received bids totalling around £36m, which included innovative ideas and proposed joint working across local authorities, central government and with private sector providers.

Many of the outcomes of this work will be seen during the period of this strategy. The interest and appetite for this initiative on the part of local authorities has not only resulted in many good proposals and mechanisms being put forward, but signals their strong commitment and goodwill to continue to tackle fraud.

Local authorities are still reporting that, apart from these one-off funds, it remains difficult to access funding to tackle fraud. The business case is often not clear cut, which makes it difficult for local authorities to fund initiatives on an invest-to-save basis, and in some instances the business case is frustrated by existing local government funding mechanisms.

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Councils need central government to set in place the right legal and financial frameworks so that they can tackle fraud and corruption effectively. This strategy offers the opportunity for central government to work with councils in protecting the public purse by providing appropriate powers, removing barriers to information sharing across government, and by providing the right financial incentives for councils to tackle fraud and removing disincentives. Councils should not be expected to fight fraud with one hand tied behind their back.”

Ian O'Donnell

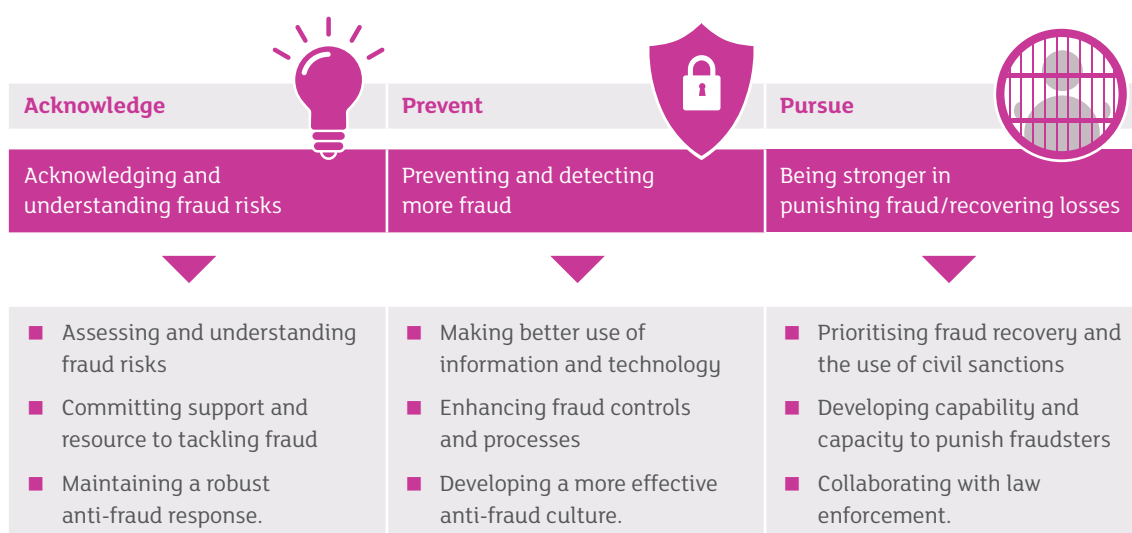
Executive Director of Corporate Resources,
London Borough of Ealing



Section 2: The Strategic Response

The principles of the strategic response to fighting fraud in local authorities remain unchanged from Fighting Fraud Locally 2011. These are set out in the first section below.

The Principles - Acknowledge, Prevent and Pursue



Fighting Fraud Locally official NFA Board Slides

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government.

Fighting Fraud and Corruption Locally recognises these challenges and the need for a cost effective way to reduce fraud. This strategy calls for a greater emphasis on prevention and the recovery of stolen money and highlights the need to create new arrangements to ensure that local authorities retain a resilient response to fraud based on the sharing of services and specialist resources.

Strong leadership will be required in order to achieve this, with greater use of technology and a stronger emphasis on collaboration. The starting point of the strategic response is to acknowledge the threat of fraud and the opportunities for protecting the public purse that exist. This acknowledgement must start at the top and lead to action.

While this document outlines the main areas of fraud risk across local government, each authority's risk profile will be different.

This strategy recommends that the starting point for each local authority is to perform its own risk assessment and fraud resilience check.

The second element of the strategy focuses on prevention. With investigative and police resources facing budget pressures, a counter fraud and anti-corruption strategy can no longer depend on enforcement activity.

Prevention is often the most efficient way to make savings and so what is called for is a radical realignment of counter fraud resources with greater investment in techniques, technology and approaches that will prevent fraud and corruption.

Stopping fraud and corruption from happening in the first place must be our aim. However, those who keep on trying may still succeed. A robust enforcement response is therefore needed to pursue fraudsters and deter others.

Fraud is an acquisitive crime and the best way to deter offenders is to ensure that they are caught and do not profit from their illegal acts.

This strategy argues for a fundamental shift in culture to emphasise civil recovery and the more rigorous pursuit of losses.

Turning Strategy into Action

The Themes – Six Cs

The Companion to this strategy document sets out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective.

Local authorities should consider their performance against each of the six themes that emerged from the research conducted.

These are:

- **Culture** – creating a culture in which beating fraud and corruption is part of daily business
- **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
- **Capacity** – deploying the right level of resources to deal with the level of fraud risk
- **Competence** – having the right skills and standards
- **Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes
- **Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

The Companion contains a section on each of these, with information on good practice and case studies to assist local authorities in strengthening their response and ensuring that it is fit for purpose.

Fraud knows no boundaries – London Borough of Lewisham

A former housing officer who fraudulently hijacked the tenancy of a dead Lewisham tenant was ordered by the court to pay £74,000 after Lewisham Council was granted a compensation order. At an earlier court hearing, the housing officer had received a 21-month prison sentence while her husband had received a 12-month suspended prison sentence and was ordered to conduct 100 hours of unpaid community work.

Following the death of the original tenant in 2005, the tenancy officer had manipulated the council's records to take control of the property in Catford which she then sublet at a profit. The fraud was uncovered in 2009 after Lewisham Homes, the council's arm's length management organisation (ALMO) conducted a visit to the property as part of a tenancy-checking verification program and found that the original tenant was no longer resident.

Further checks by the council's fraud team revealed that a different person from the tenant was listed as liable for Council Tax at the property.

The housing officer and her husband had also provided false information to secure a tenancy in another borough fraudulently, which they also sublet to another tenant for a higher rent.

It is estimated that the actions of the rogue housing officer resulted in a combined loss of approximately £150,000 to the public purse.

Areas of Focus

There are seven areas where a shift in activity will result in long term, sustainable improvement:

1. Leadership

Showing leadership: elected members, chief executives, finance directors and all those charged with governance should demonstrate explicit commitment to fighting fraud and corruption, and provide the necessary leadership.

Counter fraud practitioners cannot operate effectively unless those at the top in local authorities champion counter fraud and corruption work and visibly promote the message that fraud and corruption will not be tolerated.

Culture: those at the top in local authorities should maintain a robust counter fraud and corruption culture with clear values and standards. Culture fundamentally affects all elements of counter fraud and corruption activity: prevention, detection, deterrence, investigation, sanctions and redress.

A key element is having sound whistle-blowing arrangements; communicating how to report fraud and corruption and creating an environment in which reports can be made without the fear of recrimination.

Collaboration and co-ordination: those at the top in local authorities should actively seek to co-ordinate their efforts in the fight against fraud and corruption. Local authorities should seek to break down barriers to collaboration and sharing with other local authorities, central government and other organisations.

Communication: having a robust communication policy, actively publicising initiatives and celebrating successes is integral to having an effective counter fraud culture as a visible demonstration of commitment and values.

2. Assessing and understanding the scope of fraud and corruption risks

Assessing risks: In order to continue to function effectively in a changing landscape post SFIS implementation, and to take account of the recommendations in the UK Anti-Corruption Plan, local authorities will need to make an assessment of their risks.

This will require an honest appraisal of risks and the resources required to tackle them and whether that can be done locally, with the support of the national agencies, or with neighbouring authorities.

Measuring potential and actual losses: local authorities should measure potential and actual losses on a regular basis in order to understand the scope of the challenge, assess the response required, and measure performance.

The impact of crime is not only financial: losses suffered from fraud can have a direct, adverse impact on those people who are in most need of support, and in some cases the reputational damage caused to a local authority can be serious and lasting.

Horizon scanning: in the fast-changing local authority landscape, local authorities should scan the horizon constantly for emerging risks. The Companion to this document details new and changing fraud areas that local authorities reported in the research for this strategy.

However, it is important that local authorities approach this task individually, as some risks are particular to individual local authorities (e.g. districts and counties face different risks), and some fraud risks differ geographically.

3. Making the business case

Investing in counter fraud activity: local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses. Local authorities do not, as a rule explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems.

However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

Fighting fraud and corruption is not only a financial issue: fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they are achieving wider benefits for the community.

Preventing losses: local authorities should set in place controls that will prevent fraudsters from accessing services and employment. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents, and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users – e.g. if someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds, and in any case they may not have the training or qualifications to perform the job to the required standard.

Recovering financial losses: prompt and efficient recovery of losses is an essential component in the fight against fraud and corruption. In some cases local authorities can make use of their own income collection systems to recover losses – e.g. council tax, business rates, and housing benefits. In others, local authorities will need to make use of civil and criminal courts.

The Proceeds of Crime Act 2002 remains a powerful tool for local authorities; however, local authorities should strike the right balance, making the business case for prosecutions but not setting unachievable financial targets. Local authorities should continue to work with the courts to improve the speed of processing and develop case law supporting the successful application of recovery powers.

4. Using resources more effectively

Using the right resources: local authorities should make use of the right number of properly skilled counter fraud and corruption staff, adopt best practice standards, make use of tools and technology, and generate economies of scale through collaboration.

In a changing environment where resources are

limited, where fraud types are constantly changing and where staff may be moving roles, it will be vital to ensure that these resources are kept up to date and that the response remains proportional to the threat.

Professional competence: post SFIS, it will be ever more important to have a common set of standards for those working in counter fraud and for them to have proper training and an understanding of the whole picture within counter fraud.

Fighting Fraud Locally 2011 recommended professionally accredited training. A vital element of any effective counter fraud strategy is the ability of the organisation to call upon competent, professionally accredited counter fraud specialists trained to the highest possible professional standards to investigate suspected fraud.

Local authorities need to be confident that evidence has been lawfully obtained and professionally presented, regardless of whether the anticipated outcome of an investigation is a disciplinary hearing, civil action or criminal proceedings.

5. Collaborating to improve

Sharing resources: in the context of budget reductions and post SFIS many local authorities are faced with reduced counter fraud and corruption resources. Sharing resources and information can help mitigate the risks by ensuring that the response remains proportional and is properly skilled and equipped.

Working together: fraudsters do not respect boundaries of any type – they attack neighbouring local authorities, other agencies and commit other frauds. By working across boundaries local authorities will be better placed to detect the range of fraudulent activity carried out by individuals and gangs.

Local authorities already work with other agencies; the creation of multiple intelligence, data and investigative hubs opens up further opportunities to link up with other local counter fraud agencies – e.g. NHS Local Counter Fraud Specialists.

There are often links between frauds against local authorities and benefit frauds, immigration offences and shadow economy tax evasion, and there are already many examples of good practice and joint working where local authorities work in collaboration

with local police, HMRC, DWP or other agencies. Some local authorities even have police officers seconded and physically located in the authority, while others have access to officers from other enforcement agencies, for example UK Visas and Immigration or Immigration Enforcement and as a result, are more able to detect and investigate fraud.

Local authorities should collaborate with law enforcement partners to understand and mitigate the risks of organised and serious frauds, raise awareness of the tactics used by organised criminals and where possible share fraud data to help prevent future frauds. And where possible share fraud data to help prevent future frauds. Where police investigative support into fraud is required, the fraud must be recorded with Action Fraud.

6. Using technology to tackle fraud

Birmingham City Council Case Study – The value of data

Birmingham City Council makes extensive use of its data warehouse to identify fraud through data matching and data mining. By expanding the data warehouse to hold not only the Council's data, but that of neighbouring authorities and partner organisations, the Council has greatly enhanced its data analysis capability. The facility has now been embedded into frontline housing services to enable users to validate information provided on application forms at the point of receipt.

This provides greater assurance that housing tenancies are being awarded only to those in genuine need and that homes are only sold to those who are genuinely entitled to buy them. Furthermore, it has helped to identify former tenancy arrears of tenants who have been re-housed elsewhere, thereby helping in the collection of those debts.

Data sharing: for many years local authorities have funded and participated in the National Fraud Initiative (NFI); a periodic data matching exercise that identifies potential fraud cases for local authorities to investigate. Local authorities are now pursuing further opportunities to use their data to prevent and detect fraud, taking advantage of

changes in technology and in the appetite of other organisations to collaborate.

These include advanced data analytics, the availability of third party data, and channel shift within local authorities towards online customer contact. Data hubs offer a huge opportunity to work with and inform the wider counter fraud landscape, feeding into the work of the NCA and the Home Office and connecting into the wider architecture of other hubs.

Prevention: local authorities are using new technology to prevent fraud. The availability of relevant data when an application is made for local authority services can prevent fraudsters from obtaining access. Identity can be verified quickly and efficiently.

Technology is being used to check the validity of official documents, such as passports, with the originating government department, and is also being used to generate intelligence alerts, warning local authorities of fraud risks so that a proportional response can be set in place. Local authorities should continue to invest in technology that assists in preventing fraud and corruption.

Sharing good practice: local authorities should make use of good practice to achieve the best results. Within this strategy are examples of a number of local authorities that have begun to do this. The Companion to this strategy contains a checklist for local authorities, a detailed description of fraud types, and examples of good practice with information on where to find more.

As part of Fighting Fraud Locally 2011, the National Fraud Authority undertook research on good practice, legislation and procedure and produced a number of guides. The original research showed the need for a one stop shop for local authorities for good practice, and the guides, which cover recovery, case building and risks, were placed in the CIPFA Good Practice Bank. A number of local authorities have used these documents and they should now be updated where necessary and publicised anew.

The evidence collected for this new strategy shows that the one stop approach has worked and should be continued. A one stop shop for the whole of the public sector is now provided through the CIPFA Counter Fraud Centre website, where the Fighting Fraud and Corruption Locally page can

be accessed free of charge. The London Counter Fraud Partnership has existed since 1998. It is a partnership of all the enforcement agencies involved in tackling fraud in London including local authorities, NHS, Housing Associations and the Metropolitan Police.

This partnership has produced numerous pieces of good practice and fraud prevention documents which are available free within the CIPFA Counter Fraud Centre website. The Metropolitan Police runs a webpage that covers trends in fraud including mandate and vishing/phishing scams and measures to prevent fraud including advice and where to get support. A number of other organisations also offer good practice information which can be accessed by local authorities.

Case Study – Dudley Metropolitan Borough Council Code of Practice

Dudley MBC has Codes of Conduct for employees and members which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing their Suppliers' Code of Practice they aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices. Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in the Code of Practice. All active suppliers have received an email announcing the launch of the Code and showing where the Code is available on the council website. The Code includes useful contacts if people want to report problems to the council and reinforces the availability of a Fraud Hotline operated by Audit Services. Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the Code.

Dudley MBC's leaflet Beating Fraud is Everyone's Business, which sets out guidelines for employees, managers and members, is available on the CIPFA website.

7. Tackling Corruption

The UK Anti-Corruption Plan requires a response from local authorities. Areas in the plan that local authorities should pay attention to are:

- Working more closely with the NCA and other law enforcement agencies
- Instituting a public awareness campaign
- Putting in place confidential reporting arrangements for whistleblowers and responding effectively to reports of corruption
- Preparing corruption risk assessments across all areas of business
- Procurement and the European Public Procurement Directives in respect of the exclusion of suppliers.

Areas in the plan that are specific to local authorities are:

- The CIPFA Counter Fraud Centre, which will promote measures and provide tools and services to the public sector in this area. The CIPFA Counter Fraud Centre is offering e-learning on anti-corruption and whistle-blowing and health checks on anti-corruption measures
- Funding which has been made available by DCLG to support local authorities' efforts to tackle fraud
- The Transparency Code
- Working more closely with the Home Office in respect of local partnerships and the way in which these interact
- The research, development and publication of Fighting Fraud and Corruption Locally.

Section 3: Delivery Plan

Recommendations

General recommendations

1. A working group from local authorities should examine and devise a standard and common methodology for measuring fraud and corruption within local authorities. Once it has been agreed, local authorities should use the standard and common measure of estimated levels of fraud and corruption.

2. A working group from local authorities should be established to look at the area of powers, incentives and information barriers to:

- Examine areas where barriers exist
- Gather evidence
- Look at achieving quick wins
- Place examples of good practice in the Fighting Fraud and Corruption Locally Good Practice Bank.

3. A working group from local authorities should be established to look at the area of fraud and corruption enablers with a view to preventing more fraud and corruption.

4. There should be an annual report for Fighting Fraud and Corruption Locally which will provide more detail of progress and developments in areas like procurement.

5. DCLG should work with local authorities and the CIPFA Counter Fraud Centre (which host Fighting Fraud and Corruption Locally) to acknowledge good practice and should share useful case studies to ensure that there is an appreciation by central government of achievements at local level.

6. DCLG should give consideration to the provision of future incentives to help local authorities to tackle housing fraud.

7. In relation to procurement fraud, a working group should be established, including subject matter experts and relevant interested parties as well as local authority counter fraud staff, to:

- Investigate and collate good practice in this area and place this in the Fighting Fraud and Corruption Locally Good Practice Bank

- Create a procurement fraud map and define the stages at which procurement fraud can happen in a local authority: highlighting low, medium and high potential risks, to inform risk awareness training for the future. This should include grant fraud where it crosses over.
- Support the implementation of the UK Anti-Corruption Plan by including corruption in procurement in the procurement fraud map
- Work with the London Counter Fraud Partnership to tailor the guidance they have created to the specific needs of local authorities
- Include in the Powers and Penalties Guide a list of powers and potential sanctions relevant to procurement fraud
- Work with the local authorities that are running pilots in order to learn lessons and communicate them to others
- Explore the possibility of cartels and mechanisms to detect them.

Recommendations for local authorities

8. There should be a structured programme on fraud and corruption awareness for elected members and senior managers.

9. Local authorities should undertake up-to-date fraud and corruption awareness programmes and use the free resources developed by local authorities that are available in the Fighting Fraud and Corruption Locally Good Practice Bank.

10. Local authorities should collaborate where it is appropriate to do so and should place examples of useful outcomes in the Fighting Fraud and Corruption Locally Good Practice Bank and use this as a conduit to exchange information with each other.

11. Local authorities should profile their fraud and corruption risks using the section on risks from the Fighting Fraud and Corruption Locally Companion document as a starting point.

12. Local authorities should ensure that they have the right resources in place by having made an assessment of the risks on fraud and corruption which should be reported to the Audit Committee or similar.

-
- 13.** Senior officers within local authorities should ensure that officers working in the counter fraud team should be provided with appropriate accredited training.
- 14.** Senior officers within local authorities should ensure that officers who work in areas where they might encounter fraud and corruption have appropriate training.
- 15.** Local authorities should continue to work together on counter fraud hubs or, should investigate the benefits of joining hubs, and should share information where possible to help each other increase resilience to fraud and corruption and establish best practice.
- 16.** Local authorities should participate in data technology pilots to improve their efforts to detect and prevent fraud and corruption.
- 17.** Local authorities should publicise and celebrate successes. Press stories should be collated on the Fighting Fraud and Corruption Locally Good Practice Bank and, where possible, publicity should be endorsed and promoted by DCLG.
- 18.** Local authorities should make an assessment using the Fighting Fraud and Corruption Locally Companion Checklist, increasing awareness of the UK's Anti-Corruption Plan, make themselves aware of NCA advice, ensure that staff are trained on anti-bribery and corruption, and report this to their Audit Committee together with actions to meet the criteria set out in the Plan.
- 19.** Local authorities should use the free CIPFA Code of Practice on Managing the Risk of Fraud and Corruption to ensure a common standard.
- 20.** Local authorities should make sure that they have in place robust reporting procedures including whistle-blowing and that these include assessment through the BSI or Public Concern at Work and that staff are trained in this area.
- 21.** Local authorities that do not have their own housing stock should consider working with their housing partners, in return for nomination rights, to prevent and detect social housing fraud.
- 22.** Where appropriate local authorities should consider participating in the Tenancy Fraud Forum.

- 23.** Local authorities should work with partners on relevant procurement projects and pilots and disseminate information as appropriate.
- 24.** Local authorities should look at insider fraud and consider using the Internal Fraud Database at CIFAS following the London Borough of Ealing pilot.
- 25.** Local authorities should horizon scan and explore new areas, e.g. cyber and identity issues and explore new methods to detect fraud, e.g. behavioural insights.
- 26.** Local authorities should use the Fighting Fraud and Corruption Locally Companion Checklist to ensure that they have the right counter fraud and anti-corruption measures in place and should report the results of this to their Audit Committee and the External Auditor.

Framework for Delivery

To support the delivery of this strategy appropriate governance arrangements should be set in place to oversee the implementation of recommendations and the maintenance of the Fighting Fraud and Corruption Locally resources for local authorities.

A board will be established to ensure activity takes place and to provide senior stakeholder support.

The day to day management and hosting of the Fighting Fraud and Corruption Locally web page, survey, and secretariat sits with the CIPFA Counter Fraud Centre and is provided on a pro bono basis. This arrangement is working effectively.

Deliverables

The FFCL Board will need to ensure that progress in implementing the recommendations in this strategy is monitored and that an annual report is provided and published setting out what has been achieved and what remains to be done, so that local authorities and other stakeholders have clear visibility of how the strategy has improved outcomes.

Thank you

The Fighting Fraud and Corruption Locally Board is:

- Ian O'Donnell (Chair) – London Borough of Ealing
- Bevis Ingram – LGA
- Andrew Hyatt – Royal Borough of Kensington and Chelsea
- Simon Lane – Former London Borough of Brent
- Mike Clarkson – Mazars
- John Baker – Moore Stephens
- Rachael Tiffen – CIPFA Counter Fraud Centre
- Ben Stoneman – DCLG
- Nick Pellegrini – DCLG

The development of this strategy was overseen by a task and finish group commissioned by the board, whose members were:

- Charlie Adan – Chief Executive, Barbergh and Mid Suffolk District Council
- Ian O'Donnell (Chair) – Executive Director of Corporate Resources, London Borough of Ealing
- Bevis Ingram – Senior Adviser, Finance, LGA
- Ben Stoneman – DCLG
- Nick Pellegrini – DCLG
- Rachael Tiffen – Head of Faculty, CIPFA Counter Fraud Centre and Governance Faculty
- 3 Local Authority representatives
 - John Rosenbloom, former Manchester City Council
 - Stuart Limb, Leicester City Council
 - Kevin Campbell-Scott, Southwark Council
- Secretariat – Olivia Coates, CIPFA Counter Fraud Centre Project Manager

The Fighting Fraud Locally Board wishes to thank:

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**

And all those who attended the workshops, provided feedback or responded to surveys and who took up the actions after Fighting Fraud Locally 2011.

Produced by:



<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT PENSIONS AND STANDARDS COMMITTEE</p> <p>15 June 2016</p>	
<p>RISK MANAGEMENT HIGHLIGHT REPORT</p>	
<p>Report of the Strategic Finance Director</p>	
<p>Open Report</p>	
<p>Classification: For review and comment Key Decision: No</p>	
<p>Wards Affected: None</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Finance Director</p>	
<p>Report Author: Michael Sloniowski, Shared Services Risk Manager</p>	<p>Contact Details: Tel: 020 8753 2587 E-mail: michael.sloniowski@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The Audit Pensions and Standards Committee in March 2016 monitored the key strategic risks at corporate level for the Borough and the key operational risks identified by individual departments. This paper provides an update of their current status and in respect of strategic risks currently identified for 2016 - 2017. Members are asked to;
- 1.1.1. note the risk profile of the Shared Services risk register; and
 - 1.1.2. gain assurance that risk management is effectively implemented by services, and to identify where further action is necessary.

2. RECOMMENDATIONS

- 2.1. In order that the Council meets the requirement of the Accounts and Audit Regulations 2015 the Committee are asked to note that quarterly review of strategic risks faced by the Council has been undertaken by Hammersmith and Fulham Business Board. The Committee are also invited to consider these risks and corresponding mitigations in the register for appropriateness, attached as **Appendix 1**, the Strategic Register and **Appendix 2** the Service Level Register.

3. REASONS FOR DECISION

- 3.1. The Audit Pensions and Standards Committee's role is to provide an oversight of the authority's processes to comply with the Accounts and Audit regulations and facilitate the identification and management of key risks. By ensuring that effective management of risk is undertaken services can

benefit by reducing their significance; either by reducing the level of impact or likelihood.

4. INTRODUCTION AND BACKGROUND

- 4.1. Sections three and four of the Accounts and Audit Regulations 2015 set out the Council's responsibility for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk.
- 4.2. The purpose of the Audit Pension and Standards Committee is to provide the Leader of the Council and Chief Executive additional assurance on the adequacy of the risk management framework by overseeing and ensuring that effective risk management arrangements are in place. The Strategic Shared Services risk register is provided to the Committee to inform them of the risks associated with major areas of activity.

5. PROPOSAL AND ISSUES

- 5.1. The Council and the Audit Pension and Standards Committee remains committed to ensuring an integrated risk management process exists within all working practices and management processes, including corporate governance, the budget setting process and medium term financial plan, business planning, performance management, programme and project management and partnerships to meet the requirements of these regulations.

Audit of risk management

- 5.2. Corporate risk management and Corporate Services risk management arrangements were audited by MAZAR in the last quarter of 2015/16. There were a small number of recommendations made however the areas audited both attained satisfactory assurance. Internal Audit have recommended, for consistency, that services implement the dashboard style risk register as the format used to record their risks.

The Implications of a Leave Vote in the European Referendum on Treasury & Pensions Activities

- 5.3. The implications of a Leave vote or the belief that the vote is moving towards the leave campaign are hotly contested. It has to be remembered that the UK's relationship with the EU will not alter immediately after a vote. It will take at least two years and possibly more to negotiate the terms of the UK's new relationship with the EU. However, markets will react any try and anticipate the outcome of exit negotiations.
- 5.4. The short term implications are perhaps clearer than the long term impact and these have been provided for the Committee by the Shared Services Director of Treasury and Pensions and are attached as **Appendix 3** to this report.

Shared Services Risk Register

- 5.5. This report is intended to update the Audit Pensions and Standards Committee on the Council's key strategic and operational risks.

- 5.6. The current key strategic risks that are monitored and reviewed at a corporate level are listed at **Appendix 1**, the Shared Services Risk Register.
- 5.7. The key risks are as they have been assessed by the service departments and are managed on a day to day basis by their respective departmental management teams. These risks are listed in **Appendix 2**. Service risk registers also include operational risks affecting teams but excludes low level operational or specialist activities where other risk assessments exist, for example for the management of asbestos or legionella.
- 5.8. The key risk areas covered are;
- Adult Social Care, Public Health risks;
 - Children's Services;
 - The Environmental Group of Services;
 - Financial Corporate Services;
 - Housing;
 - Information and Communications Technology;
 - Shared Services, Libraries;

Risks are prioritised for reporting in accordance to the scoring methodology highlighted within the risk management strategy.

- 5.9. Risk control actions have been developed for each of the risks identified in Appendices 1 and 2. Each risk is allocated to an owner who is responsible to the Management Board for their completion and ensuring that actions are taken with due consideration to their priority.
- 5.10. The range or spectrum of risks comprising significant risk is commonly defined as being made up of three major categories of risk - strategic, change and service delivery (operational business as usual) risks. The Council categorises risk in this way and that is consistent with good practice as defined by the Institute of Risk Management, Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors.
- 5.11. Where appropriate, risks identified in these risk registers have been incorporated into the annual audit planning process to enable audit resources to be directed to the most appropriate areas that may affect business assurance.
- 5.12. The Managed Services Programme remains a very significant primary risk due to the nature of the services provided and its direct impact to services. This can be seen reflecting operationally in the service level risks provided in **Appendix 2**.

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

- 11.2. Implications verified/completed by: Michael Sloniowski, Shared Services Risk Manager. 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

None.

LIST OF APPENDICES:

- Appendix 1 - Strategic Shared Services risk register
- Appendix 2 - Services risk register
- Appendix 3 - Brexit briefing, impact on Treasury and Pensions

FULHAM
SHARED SERVICES RISK REGISTER DASHBOARD

APPENDIX 1
Review date 26/04/2016

Ref	RISK				Assigned To	Residual risk assessment: Quarter 4 15/16			DOT	Residual risk assessment: Quarter 1 16/17			DOT	Target risk:			Reducing the risk		
	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place
LBHF	✓	RBKC	✓	WCC	OFFICER(S)	4	4	16	→	4	4	16	→	3	3	9			April 2016
1	Financial Management in year budget 2015/2016 and Medium Term Planning.					Management controls						Comments			Actions				
Page 189	The ongoing challenge of reshaping and delivering council services, within significantly reduced funding levels and increased demand pressures, remains a significant risk. This is both an in year risk and one going forwards over the medium term. As such, a priority within our financial plan is to review different funding models for different services (referencing zero based budgets), and to focus not just on the short-term but on service transformation over a longer time-frame.				Kevin Bartle, Interim Director of Finance, The Royal Borough of Kensington and Chelsea. Hitesh Jolapara, Strategic Director of Financial Corporate Services, London Borough of Hammersmith and Fulham.	The council manages its financial risks through a range of controls including budget preparation, budget setting and a Budget Accountability Framework which updated the roles and responsibilities for managing, monitoring and forecasting income and expenditure against approved budgets. The level of reserves and balances are also regularly reviewed to ensure that account is taken of any financial risk. Regular in-year monitoring, review of future financial plans and assessment of financial risks and reserves are undertaken to ensure the financial plans are delivered.									Review at May Business Board.				
LBHF	✓	RBKC		WCC	OFFICER(S)	3	3	9		3	3	9	→	3	2	6			April 2016
2	Local Land Charges Searches, reduction in resources and income					Management controls						Comments			Actions				
	Loss of income and insufficient funding from Central Government through new burdens regime associated with the transfer of Local Land Charges1 to the Land Registry.				Maureen McDonald Khan Director for Building and Property Management	Active participation in Land Registry's transfer programme and liaison with other Councils through the Local Government Association to ensure formalised burdens regime is adequate in compensating the Council regarding Local Land Charges 1. Active participation as a member of the Local Land Charges Institute (LLCI) at briefings/ meetings. Close liaison with finance colleagues.						Land Registry's programme suggests transfer from Autumn 2017			Review at May Business Board. Continued review as programme and details are emerging.				

FULHAM
SHARED SERVICES RISK REGISTER DASHBOARD

APPENDIX 1
Review date 26/04/2016

Ref	RISK				Assigned To	Residual risk assessment: Quarter 4 15/16			DOT	Residual risk assessment: Quarter 1 16/17			DOT	Target risk:			Reducing the risk		
	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place
LBHF	✓	RBKC	✓	WCC		3	4	12	→	3	4	12	→	3	3	9			April 2016
3	Management of the Better Care fund.				OFFICER(S)	Management controls				Comments				Actions					
	Compliance with the Care Act legislation underpinning the Better Care Fund; • the accountability arrangements and flows of funding; • the reporting and monitoring requirements for 15-16; • arrangements for the operation of the payment for performance framework; • how progress against plans will be managed and what the escalation process will look like; and • the role of the Better Care Fund Task Force / Better Care Support Team going forward.				Liz Bruce, Executive Director of Adult Social Care	The Care Act implementation programme was successfully completed. Measures to monitor impact of Care Act implementation built into new routine Key Performance Indicator monitoring to Senior Managers and members. This covers expected increases in demand and new duties and responsibilities under the Act. Demand and benefits model developed and being implemented for Community Independence Service as part of Better Care Fund. Routine reporting of impact of new service reported to senior managers and members as part of regular reporting. Multi agency Better Care Fund steering group receives progress reports and reports upwards to the Joint Executive Team and Better Care Fund Board which includes members and senior managers from Adult Social Care, Clinical Commissioning Groups etc. Shared governance with Imperial around change programme for the Community Independence Service. Redesign of reablement part of Customer Journey programme. Risks are regularly monitored by the programme and major risks logged on a risk register.				The Care Act implementation has been completed. External agency (Deloitte) undertaking an independent evaluation of increase in home care demand as result of increase in the requirement for assessments for carers and prison population. Nationally phase two of the implementation of the Care Act has now been put back to 2020; this will reduce the risk of increases in requests for assessments from self funders as the implementation of the 'care cap' has been delayed. The model estimating expected future demand has been refined and is reported frequently to senior managers as part of routine monitoring. New London wide Care Act compliant set of safeguarding protocols from April 2015. Demand and benefits model developed and being implemented for Community Independence Service as part of the Better Care Fund.				Review at May Business Board. Continued regular monitoring through performance and joint governance arrangements					

FULHAM
SHARED SERVICES RISK REGISTER DASHBOARD

APPENDIX 1
Review date 26/04/2016

Ref	RISK				Assigned To	Residual risk assessment: Quarter 4 15/16			DOT	Residual risk assessment: Quarter 1 16/17			DOT	Target risk:			Reducing the risk		
	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place
LBHF	✓	RBKC	✓	WCC		OFFICER(S)	4	4	16 →	4	4	16 →	3	3	9			April 2016	
4	Market testing risks.						Management controls							Comments	Actions				
Page 191	1. Failure to deliver high quality commissioned services at the best cost to the taxpayer. Inadequate forward planning risks (commissioning and procurement). 2. Failure to comply with public procurement regulations, potential legal action, and lack of robust Member oversight. 3. Not achieving Social Value through procurement. 4. Contract performance management.				1. Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea. 2. Michael Hainge Commercial Director Chief Executives Department	<p>(1) Adult Social Care and Childrens Services Departments have established contract and commissioning boards.</p> <p>(2) A Shared Services Contracts Approval Board had been established but will now only be used for Westminster City Council sovereign procurement decisions.</p> <p>(3) Contract registers are now managed through the CapitalESourcing e-procurement system hosted by Westminster City Council and have recently been audited (but received a nil assurance)</p> <p>(4) Training is being provided on Contract Management across the Shared Services.</p> <p>(5) Hammersmith & Fulham only</p> <p>(5a) Procurement Strategy Board (H&F) - corporate oversight</p> <p>(5b) In addition to all reports going through (1) & (2) above, at H&F they are subject to 3 additional key controls: Cabinet Member Briefing Boards, H&F Business Board and Cabinet (via Cabinet Briefing)</p> <p>(5c) Revised Contract Standing Orders for LBHF will take effect on 1 July 2016 for all procurements advertised on or after this date. This will ensure Cabinet see forward Commissioning Plans and a Procurement Strategy on each procurement</p> <p>(6) The Royal Borough of Kensington & Chelsea.</p> <p>(6a) Procurement regulations for the Royal Borough of Kensington and Chelsea.</p>						<p>(1). Restructuring of Adult Social Care and Children's Services procurement and commissioning teams is underway with jobs recently advertised.</p> <p>(2) Hammersmith & Fulham (2a). Amendments to Contract Standing Orders have been approved by full Council to facilitate earlier Cabinet visibility and approval of commissioning and procurement strategies before competitive tendering exercises commence.</p> <p>(2b). The Cabinet Member for Commercial Revenue and Resident Satisfaction has also requested regular Cabinet Member monitoring of all departments 3-year forward commissioning and procurement plans.</p> <p>(2c). LBHF have appointed a Commercial Director who will also lead on procurement. Work is currently being undertaken to review the Contracts Register.</p> <p>(3) Kensington & Chelsea</p>			<p>Review at May Business Board.</p> <p>1. A new approach for Adult Social Care Procurement has been agreed. They will no longer report through to Westminster City Council Contracts Approval Board thereby reducing administration and bureaucracy. Further reviews will take place on improving the procurement process.</p>				

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Ref	RISK				Assigned To	Residual risk assessment: Quarter 4 15/16			DOT	Residual risk assessment: Quarter 1 16/17			DOT	Target risk:			Reducing the risk			
	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place	
LBHF	✓	RBKC	✓	WCC		OFFICER(S)	3	4	12	→	3	4	12	→	1	1	1			April 2016
5	In-year 2015-16 Reduction to Public Health Budgets						Management controls				Comments			Actions						
Page 192	With the proposed reductions to the Public Health 2015-16 budgets, coupled with possible removal of the ring-fence and potential changes to the Public Health grant conditions; there is a serious risk of in-year disruption to Public Health projects and/or cessation of Public Health commissioned services before year-end and Public Health's capability to deliver against the three Councils' medium term plans.				Dr Mike Robinson, Director of Public Health	Public Health Finance has modelled various budgetary scenarios and are currently preparing various budget savings proposals, pending the outcome of a national consultation process which was initiated by Public Health England at end of July 2015 on the four possible options proposed for the budget reductions. Public Health's response to the consultation proposals was agreed by the Senior Management Team and members and submitted to Public Health England before the end of August. The Public Health grant will be ring-fenced for remainder of 2015-16 and must be spent in line with clear grant conditions. Grant conditions are clearly set out in six prescribed functions. The outcome of the consultation is now known				Public Health England confirmed an in-year reduction of 6.2% to all local authorities across England, to the Public Health grant (October 2015). This reduction has been met. However, the autumn Spending Review announced reductions to the Public Health grant of approx. 3.9% per annum from 2016/17 for the next 5 years. Use of the Public Health grant will continue to be reported on and assured with Public Health England.			Review at May Business Board. An implementation plan with proposed efficiencies is being adopted, to ensure that we meet the agreed budget commitments for 2016/17. This strategy takes into account the reduction to the grant in 15/16 and the further reduction of 3.9% in 2016/16. A Public Health task and finish is reviewing the grant for 2016/17 and future years, within a reducing grant context. In addition, the group are considering how the public health grant can be used whilst transitioning to an expected removal of the grants ring-fence, expected from 2018/19. A refresh of the Public							

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	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place	
LBHF	✓	RBKC	✓	WCC		OFFICER(S)	3	4	12	→	2	4	8	↑	2	3	6			April 2016
6	Business resilience.				Management controls										Comments	Actions				
Page 193	<p>1). Limited joined up systems, processes and resources in the event of a Royal Borough of Kensington and Chelsea and London Borough of Hammersmith and Fulham Business Continuity internal / external incident.</p> <p>2). Managed Services Programme - potential supplier withdraws a service due to invoices not being paid.</p> <p>3). Risks associated with the end of Hammersmith and Fulham Bridge Partnership contract (Novation of contracts to in-house, new contracts and extensions).</p> <p>4) Non-availability of I.T. systems, cyber attacks.</p> <p>5). Ensuring continuity of services during a potential Housing Stock Options transfer at London Borough of Hammersmith and Fulham.</p> <p>6). Loss of significant Contractor (London Borough of Hammersmith and Fulham Serco novation, however Serco have recently announced their intention to retain Environmental Service business.)</p>				<p>Dave Page, Bi-borough Director for Safer Neighbourhoods, London Borough of Hammersmith and Fulham</p> <p>Tony Redpath, Director of Strategy and Local Services, the Royal Borough of Kensington and Chelsea.</p>										<p>1). Corporate Business Continuity Policies and Strategies have been agreed at both Business Boards, and updated accordingly, ensuring commonality for incident management. London Borough of Hammersmith and Fulham use Creditsafe for the assessment of contractor credit and liquidity risks, with The Royal Borough of Kensington and Chelsea, Westminster City Council to follow shortly. Contractors are required to confirm their business continuity arrangements as part of the tendering process, plus a 2 day mandatory Contract Managers Training work shop is being delivered by Westminster City Council.</p> <p>2) An emergency payments system is in place in the event of a significant delay or missed payment to a supplier.</p> <p>3) Tri Borough ICT Programme Manager Andy Orr maintains a separate risk register for the transfer and a Transition Team has been set up.</p> <p>4). Owners of Priority 1 and Priority 2 classified services have been requested to ensure a their service continuity plans have a strategy in place to cater for the loss of the supplier.</p> <p>5). Risks are being identified and managed through the Programme Management Team and reported periodically to the Shared Service Risk Manager.</p> <p>6). Counsels' advice has been received and discussions are ongoing with Serco in connection with a novation to a subsidiary company, Serco environmental.</p>	<p>A Shared Services Procurement Risk Advisory Group has been established to provide support on areas such as Supply Chain Risk Management and Information Management resilience. GOLD training has been provided to senior management in both boroughs, to enhance the ability to deal with serious incidents, plus additional Emergency Planning training delivered in London Borough of Hammersmith and Fulham.</p>	<p>Review at May Business Board. 1-2) The Royal Borough's Business Impact Analysis system is obsolete, plus the London Borough of Hammersmith and Fulham Business Impact Analysis is non-existent. A formal review of external software systems, to have been carried out by Bridge, proved too costly. Further work is currently under way to consider development of a system in-house, and also to further consider the funding aspects of an external system.</p> <p>3). London Borough of Hammersmith and Fulham Business Continuity Manager is liaising with the ICT Transformation Manager reviewing the Programme Risk Register.</p>			

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	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place	
LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	3	4	12	→	3	4	12	→	3	3	9			April 2016
7	Information management and digital continuity.					Management controls				Comments				Actions						
Page 194	<p>a) Information created, accessed, handled, stored, protected and destroyed by the service areas and departments across the three partner councils is not managed in compliance with information rights legislation or local policies, eg the Data Protection Act 1998, Freedom of Information Act 2000, Environmental Information Regulations 2004 and the Protection of Freedom Act 2011;</p> <p>b) The service areas and departments do not fully understand or manage the risks such non-compliance involves therefore not making informed, risk based decisions;</p> <p>c) Insufficient staff resources, both corporately and departmentally, to mitigate the above risks;</p> <p>d) Potential breach of information rights legislation resulting in a monetary penalty of up to £500,000 plus costs of the staff/ICT resources to remedy the breach and reputational damage to the three partner councils (estimates based on average ICO fines in last 12 months and cost of H&F ICO Undertaking, £100,000 (fine) and £270,000 (staff/ICT resources @ £90,000 per council).</p>				Ed Garcez, Chief Information Officer, Shared Services. Ciara Shimidzu, Head of Information Management	<ul style="list-style-type: none"> * Shared Services Information Management Board. * Shared Services Information Management Strategy * Shared Services Information Sharing Register * Shared Services Information Management work programme, including the following workstreams: Governance, Information Asset Management, Learning and Development and Information Security policy framework Shared Services Information Management Toolkit, eg Information Governance Checklist, Information Sharing Protocol template, Information Sharing Agreement template, Confidentiality Agreement template and PCS template (H&F and WCC only). * Shared Services Privacy Impact Assessment process. * Offsite Records Storage Service Framework Agreement for three boroughs and their partners (currently H&F and WCC only) * Onsite records storage - records management function delivered by the Corporate Information Governance Team * Sovereign information management and security policies, risk logs, compliance monitoring, incident management and reporting protocols * All three boroughs use the same local authority Retention Schedule * Caldicott Guardians for Adult Social Care and Children's Services * Sovereign Senior Information Risk Owners (SIRO's) * NETConsent software used at the RBKC to train and inform Information Technology users and provides for high level of user acceptance. * London Borough of Hammersmith and Fulham and Westminster City Council staff are required to complete and provide a certificate confirming they have passed training known as the Personal Commitment Statement with quarterly monitoring and feedback to departmental management teams. * Potential breaches of policy can be treated as a potential disciplinary matter and referred to Human Resources or the Corporate Fraud team for investigation 			<p>Heightened awareness across the public and staff of information rights. Higher demands from public enquiries and reduced capacity across three councils limiting progress on delivery of key aspects of the Information Management strategy programme as compliance has to be prioritised. Higher demands from sovereign and shared services for Information Management input, training, advice and guidance.</p> <p>Success of the Shared Services Information Management work programme and toolkit has raised Information Management profile across the boroughs. Period of transition with re-organisation of ICT functions after protracted negotiations. Reduced staff size of teams across the three boroughs (2 posts deleted during reorganisation).</p> <p>Number of historic and current data breaches currently under investigation and reported to the Information Commissioners Office.</p>			<p>Review at May Business Board.* Development of Shared Services Information Management policies and supporting governance framework Strategy workstream);</p> <p>* Learning and development programme (Strategy workstream);</p> <p>* Information Asset Audit and creation of an Information Asset Register (Strategy workstream);</p> <p>* Introduction of new Information Security Policy and development/implementation of policy acceptance software across the 3 boroughs along with new cohesive user and corporate statements;</p> <p>* Communications strategy;</p> <p>* Creation of a shared ICT service IM team.</p>								

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LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	→	4	4	16	→	3	3	9			April 2016
8	Managing statutory duties.						Management controls						Comments			Actions				
	Non-compliance with laws and regulations. Breach of a duty of care. Non-compliance with Health and Safety at Work. Equalities and Human Rights. Application of Traffic Management Orders in Housing Estates required to managed levels of parked vehicles blocking access to Emergency Vehicles, Ambulatory and Council vehicles.					Nigel Pallace, Chief Executive, LBHF Council. Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea. Charlie Parker, Chief Executive, Westminster City Council.	Capital Programme. Local Codes of Corporate Governance, constitutions and schemes of delegation. Officers codes of conduct. Shared Health and Safety Service between the Royal Borough of Kensington and Chelsea and LBHF Council. Shared Services Incident reporting on-line software. Shared Services training software, Workrite. Legislative changes are adopted and reflected in amendments to the Councils constitutions and budgets allocated through a unified business and financial planning process. Amey now manage a number of statutory and regulatory procedural and record management processes. Statutory returns to, for example, the Food Standards Agency, Health and Safety Executive.						Internal Audit of Organisational Health and Safety undertaken. Internal Audit of LBHF gas safety arrangements undertaken. Corporate Safety Team business plan and audit programme established. Departmental and statutory Corporate Safety committee established and meeting regularly. Regular Health and Safety performance reports to the Executive Management Team. Shared Service Building Compliance Board established.			Review at May Business Board Capital Programme 2016-2017 to 2018 2019				
LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	3	3	9	→	3	3	9	→	3	3	9			April 2016
9	Standards and delivery of care.						Management controls						Comments			Actions				
	Breach in the standard of delivery of care, caring services and care homes.					Liz Bruce, Executive Director of Adult Social Care Andrew Christie, Executive Director of Childrens Services	Insurance cover in place in the event of a claim for a breach of duty of care. Legislative changes are adopted and reflected in the Councils constitutions. Contract monitoring includes assessment of quality of standards of care. Regular Chartered Institute of Purchasing and Supply meetings brings together commissioners, operational, safeguarding and Care Quality Commission staff to discuss and detect breaches in quality of care. Budget allocation is made through a unified business and financial planning process.						In addition to these arrangements, the Commissioning Directorate and the Safeguarding team monitors the quality and performance of care providers to diminish the likelihood of such events occurring. New Provider Failure & Service Interruption Framework was put in place in June 2015. The new Adult Social Care Strategic Provider and Contract Monitoring Framework now in place enables early identification of risk to quality of service.			Review at May Business Board. Following the Peer Review, Adult Social Care is implementing a more holistic service wide approach to quality assurance, through a new Quality Assurance Board. The Board has now commenced meeting.				

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	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place	
LBHF	✓	RBKC	✓	WCC		OFFICER(S)	3	4	12	→	3	4	12	→	3	3	9			April 2016
10	Failure of partnerships and major contracts.						Management controls				Comments			Actions						
Page 196	Loss of grant, non-delivery of objectives, service continuity to the client is of primary importance in these cases.				Nigel Pallace Chief Executive, LBHF Council Charlie Parker, Chief Executive, Westminster City Council Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea.		Contract Standing Orders, Regulations and Financial Procedure rules. Directors are responsible for ensuring a contractor's financial viability. Significant Tenderers are to be asked to provide copies of their latest audited accounts or other evidence of their financial standing. For the Royal Borough these should be forwarded to Brookes Bates with an order for the standard report requesting a statement on the tenderer's risk of financial failure, its financial strength and an assessment of whether the candidate is suitable to be awarded the contract. For Hammersmith and Fulham Council the Corporate Finance Team provide this service. All reports should be stored on capitalE sourcing. Contractor liquidity checking through Creditsafe. The Royal Borough have an Organisations in Difficulties Procedure should a Grant aided organisation encounter financial or other pressures. Shared Services Board. The Link Intelligent Client Function (ICF) manages the AMEY Total Facilities Management contract. Procurement and commissioning is undertaken through CapitalE sourcing software acting as a repository for contract information and providing a workflow for the procurement process. Section 113 agreements under the Local Government Act 1972 for Shared Services.				LBHF and their IT provider the Hammersmith and Fulham Bridge Partnership undertake periodic checking of contractors liquidity. Credit safe is now embedded in capitalE sourcing thus enabling the Royal Borough access to credit checking along with WCC. LBHF have served notice to terminate the agreement with the Link for the management of the TFM contract.			Review at May Business Board						

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	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place	
LBHF	✓	RBKC	✓	WCC		OFFICER(S)	3	4	12	→	3	4	12	→	3	3	9			April 2016
11	Increase in complexity of working with partners.						Management controls				Comments			Actions						
	Working with the National Health Services, Clinical Commissioning Groups, Police, General Practitioners., 3BM and Epic CIC Public Service mutuals.				Nigel Pallace Chief Executive, LBHF Council Charlie Parker, Chief Executive, Westminster City Council Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea.	Information sharing protocols and agreements. Members scrutiny of partners risk management is undertaken by the Scrutiny Committees at the Royal Borough of Kensington and Chelsea and Policy and Accountability Committees at LBHF.				The LBHF Policy Team are working on developing thematic meetings which will include local external partner agencies to work more inclusively on shared priorities.			Review at May Business Board							
LBHF	✓	RBKC	✓	WCC			3	4	12	→	3	4	12	→	3	3	9			April 2016
12	Decision making and maintaining reputation and service standards.						Management controls				Comments			Actions						
	Corporate Governance of the Council(s); - Pre-determination of policies or contract reviews. - Breach of Officer or Member code of conduct. - Breach of Information Security or Governance or Confidentiality leading to Information Commissioner review. - Ombudsman, Ofsted, External Audit, The Care Quality Commission reviews and reports. - Poor quality data internally or from third parties.				Nigel Pallace Chief Executive, LBHF Council Steve Mair, City Treasurer, Westminster City Council Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea.	The Constitution of the Council(s). Annual Governance Statement. Management Assurance Statements. Risk Management arrangements in Services. Feasibility studies and options appraisals. Members induction programme. Capacity building of I.T. and Staff. Business planning and performance management and information. Complaints and compliments reviews reported to Committees.				A review of this years evidence for the Annual Governance Statement 2015 2016 has yet to establish if Services have undertaken a business planning process for 2016 2017. This is applicable for the Royal Borough and for LBHF.			Review at May Business Board							

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	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place
LBHF	✓	RBKC	✓	WCC		4	4	16	→	3	4	12	↑	3	3	9			March 2016
13	Failure to identify and address internal and external fraud.					Management controls						Comments			Actions				
	Potential exploitation of Managed Services Agresso systems during implementation and towards business as usual delivery.				Hitesh Jolapara Strategic Director of Financial Corporate Services , LBHF Council Steve Mair, City Treasurer, Westminster City Council Kevin Bartle, Interim Director of Finance, The Royal Borough of Kensington and Chelsea.	Shared Services Corporate Fraud function. Risk assessment used to assist in targeting fraud and for workload prioritisation. Whistleblowing policy, Bribery policy, Officer Codes of Conduct. Procurement teams have attended Counter Fraud training.						The Shared Services Corporate Anti-Fraud Service (CAFS) implements a counter fraud and corruption strategy which is supported by a policy framework. Plans and operations are aligned to the strategy and contribute to the overall goal of maintaining resilience to fraud and corruption. The service employ a mixture of reactive and pro-active techniques to combat fraud, including subscription to national initiatives such as the National Fraud Initiative and the National Anti Fraud Network. The service reports regularly to Audit Committees on performance against the counter fraud strategy and the effectiveness of the strategy.			Review at May Business Board				

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	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place
LBHF	✓	RBKC	✓	WCC		3	3	9	→	3	3	9	→	1	3	3			March 2016
14	Change in management of schools.					Management controls						Comments			Actions				
	Relationship and accountabilities of academies. Managing the potential of Fraud in schools. Managing statutory responsibilities. Safeguarding responsibilities.				Ian Heggs, Director of Schools, Quality and Standards	AMEY/Link now provide some statutory compliance services for schools. Ofsted inspection is currently taking place covering The Royal Borough, LBHF and WCC. Children's Services Capital Programme, Schools General Maintenance Programme.						Safeguarding in all schools is the subject of a great deal of attention by the Children's Services Department and overseen by the Local Safeguarding Board. They in turn are inspected by Ofsted.			Review at May Business Board Capital Programme 2016-2017 to 2018 2019				

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	Risk cause and context					Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place
LBHF	✓	RBKC	✓	WCC		4	4	16	→	4	4	16	→	3	3	9			March 2016
15	Managed Services Programme					Management controls				Comments				Actions					
Page 200	<p>The programme is managing and mitigating 34 risks. 6 risks have been closed since the last reporting period. The top programme risks are:</p> <p>1) System speed.</p> <p>2) Year end activates and the volume of workload.</p> <p>3) BT Shared Service Centre (SSC) resources available to each workstream.</p>				<p>Maria Benbow, Westminster City Council Programme Director</p>	<p>Managed Services Programme Management Office Designated Finance, Human Resources, Payroll, Service Management and Governance, Solution and Environment Assurance, Organisation Readiness and Schools Workstream Leads Programme Assurance Manager Regular meetings with the Managed Services Provider through Operational and Strategic Framework Boards Managed Services Sponsors meeting track progress against targets. Sponsors issues are regularly identified and discussed. A comprehensive and regularly reviewed risks and issues register</p>			<p>BT have appointed a project manager to manage all aspects of system speed which will put in the hands of one person at BT the responsibility for this area.</p> <p>The work on year end closure will impact on all programme activity in April, May, June.</p> <p>We are monitoring BT Shared Service Centre performance through a weekly report to Officer Finance Board and tracking progress against the March exit criteria for the programme. We are working with BT to ensure that there are clear and prioritised plans in place to address remaining issues through a period of stabilisation planned for April, May and June.</p>	<p>Review at May Business Board BT are producing a plan and have implemented three new web servers as a tactical fix - 31 March 2016</p> <p>We continue to maintain detailed programme plans and to monitor risks and issues. We are track the deliverables and highlight any slippage to the Operational Framework Board for prioritisation. - 31 March 2016</p> <p>BT Shared Service Centre have agreed significant permanent and temporary increases in staffing levels, recruitment is in progress. Identify all workarounds and transfer the workload and knowledge to BT Shared Service Centre. - 30 June 2016</p>									

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	Risk cause and context		Likelihood	Impact	Overall		Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place

Key to Risk Rating			
Score	16-25		RED - High risk - immediate
Score	11-15		AMBER - Medium risk, review controls.
Score	1-10		GREEN- Low risk, monitor and if the risk escalates check controls.

SERVICES RISK REGISTER DASHBOARD

APPENDIX 2

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	Risk cause and context					Likelihood	Impact	Overall	Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place

ADULT SOCIAL CARE Leadership Team Risks

LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	3	4	12	↑	3	3	9			
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1	Reducing resources to support people with care needs and increasing demand due to demographic pressures																	
	<u>Management controls</u>																<u>Comments</u>	

Page 202	In the financial year there is a funding gap nationally for adult social care of £3bn. Through the Medium Term Financial Strategy efficiencies and savings have already made in recent years as the resources available for social care have significantly reduced. There is a risk that further savings which will be required will make it very difficult to meet the needs of the increasing numbers of disabled and older people. As a result of demographic changes the Council is already supporting greater numbers of adults with care needs an increasing proportion of this group have very complex needs who would previously have been supported more by health services.	Rachel Wigley Deputy Executive Director & Director of Finance and Resources	Further change our service model to put a greater focus on short term, re-abling, interventions to help people regain skills and look after themselves for longer delaying the need for social and health care; through both the Customer Journey programme where we are refining our approach to reablement as part of the integrated Community Independence Service and Manage resource planning through the Department of Health, Association of Directors of Adult Social Services network and Local Government Association in relation to the Care Act.	Review Board is the Adult's Leadership Team.	Senior Leadership Team to review in May 2016 following a review of the risk management process. Pursue opportunities to develop more integrated and closer working with health colleagues, through initiatives such as the Better Care Fund and 'whole systems' programme. This includes the use of some health resources to fund some of the additional demand for home care as a result of these programmes. - Develop a new Commissioning Strategy which is exploring different mechanisms to resource and commission services in the future using 'care pathways', and different procurement models.	March 2016
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	Risk cause and context						Likelihood	Impact	Overall	Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place
LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	4	4	16	→	3	3	9			
2	Responding to changing legislation						<u>Management controls</u>						<u>Comments</u>						
Page 203	<p>The Care Act began to be implemented from April 2015. There was a comprehensive programme in place to ensure that Adult Social Care was compliant with the new requirements. Although implementation of some parts of the Act (e.g. the 'care cap') have been delayed until 2020 by the Government; Adult Social Care are left with delivering new responsibilities such as for self funders, carers and the wider health and well being, without additional resources. There continues to be a lack of clarity from Government about available funding to support additional demands for services.</p>					Jerome Douglas Senior Business Analyst	<p>Further change our service model to put a greater focus on short term, re-abling, interventions to help people regain skills and look after themselves for longer delaying the need for social and health care; through both the Customer Journey programme where we are refining our approach to reablement as part of the integrated Community Independence Service and Manage resource planning through the Department of Health, Adult Social Services network and Local Government Association network and Local Government Association in relation to the Care Act.</p>						<p>Review Board is the Care Act Board.</p>			<p>Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department. Pursue opportunities to develop more integrated and closer working with health colleagues, through initiatives such as the Better Care Fund and 'whole systems' programme. This includes the use of some health resources to fund some of the additional demand for home care as a result of these programmes.</p> <p>- Develop a new Commissioning Strategy which is exploring different mechanisms to resource and commission services in the future using 'care pathways', and different procurement models.</p>	March 2016		
LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	4	4	16	→	3	3	9			
3	Reducing customer and carer satisfaction and reducing self reported 'outcomes'.						<u>Management controls</u>						<u>Comments</u>						
	<p>Scale of change around frontline and provider services and greater emphasis on time limited interventions and reablement, may lead to reduced satisfaction of some customers, especially those who have been supported for some time. This could lead to poorer outcomes for customers and reputational risk to the Council. There is an increasing risk that customer and carer satisfaction and outcomes will reduce.</p>					David Evans Principal Strategy & Performance Officer	<p>Developing a communications strategy and plan which informs residents of changes in the approach to health and social care services locally.</p> <ul style="list-style-type: none"> - Closely analysing all customer and carer feedback, including that through complaints and the statutory user and carer surveys and using this to help inform our planning. - Redesigning frontline social work services in the customer Journey project, based on the 'customer voice' research which identified what was important to people who use our services. - Exploring more, new opportunities for co-production and design of new services with customers and carers to ensure their needs and ideas are central to our approach. 						<p>Review Board is the Adult's Leadership Team.</p>			<p>Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department</p>	March 2016		

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	Risk cause and context					Likelihood	Impact	Overall	Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place	
LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	4	4	16	→	3	3	9			
4	Workforce risks around morale, change fatigue, recruitment and retention and complexity of three borough working.					Management controls						Comments							
Page 204	The recent Adult Social Care Peer Review highlighted a significant recruitment and retention risk across London for social care staff. Locally there is a risk that this is exacerbated as terms and conditions are not as competitive as some authorities elsewhere. Additionally there is significant change fatigue across the ASC shared service and the added complexity of working across three boroughs. The consequences could be increasing recruitment problems and difficulty holding onto the most able staff at a time of service change.					Felicity Thomas Learning and Development Coordinator	Established a Workforce Board which is overseeing an Adult Social Care Workforce Plan Exploring alternative ways to reward staff, for example through tailored development programmes. Improved internal staff communications from the senior management team by the use of blogs, team meetings and through the TriAngles staff newsletter. Using the results of the Your Voice survey to address service, team and staff concerns. Key change programmes have dedicated learning and development plans attached to them, i.e. Customer Journey, Commissioning Review and home care implementation.						Review Board is the Workforce Board.			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department	March 2016		
	LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	4	4	16	→	3	3	9		
5	Market unable to provide services required					Management controls						Comments							
	The Adult Social Care market is fragile and there is a risk that it is not able to develop in the ways we will require in the future to meet local need; there is significant risk of market failure. This could result in significant unmet needs and higher dependency levels of customers making it more difficult to achieve savings. In the event of provider failure the Council will need to contingency plans in order to meet the needs vulnerable residents in the in a timely and safe manner.					Paul Rackham Head of Community Commissioning and Mary Dalton Head of complex Need Commissioning	Developed an updated Market Position Statement setting out our future commissioning intentions and direction of travel. Engaging with providers and undertaking more market warming exercises in particular through London Care and Support and other forums. Help providers to plan better by publishing forward plans for tenders etc. Developed a Provider Failure and Service Interruption Policy.						Review Board is the Contracts and Commissioning Board			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department	March 2016		

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LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	4	4	16	→	3	3	9			
6	Risks arising from the Managed Services Programme implementation.					Management controls						Comments							
Page 205	Significant strategic risk due to continuing problems presented by the implementation of the Managed Services Programme Agresso system which have not been fully resolved. Serious risk of interruption or cessation to a number of contracted services. Some suppliers have gone without payment for services provided since the system was introduced in April and the smaller, more vulnerable suppliers will have difficulty continuing in this vein for much longer.					David Evans Principal Strategy & Performance Officer	Adult Social Care and Public Health finance and commissioning managers have been arranging for ad-hoc emergency payments to be made to the smaller and more vulnerable providers and suppliers. Lobbying corporate for more training and support as well as technical solutions.						Review Board is the Adult's Leadership Team.			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department	March 2016		
LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	3	4	12	→	3	3	9			
7	Complexity of change programmes in Adult Social Care and National Health Service					Management controls						Comments							
	The change programme in Adult Services and in whole systems with the National Health Service is very complex and there are risks arising from interdependencies, misalignment of projects and double counting of benefits. There are also risks of slippage due to need for significant leadership, management capacity and additional programme resources to deliver. There are also risks of delays in decision making due to complex bureaucracy					Rachel Wigley Deputy Executive Director & Director of Finance and Resources	New Adult Social Care leadership team now in place. Customer Journey will align operational services. Commissioning Review to deliver new commissioning structure. Robust programme management approach and shared governance arrangements with National Health Service. Adult Social Care new whole systems lead to ensure consistent approach to working with Clinical Commissioning Groups. Business case for additional resources costs have been signed off and recruitment commenced to some posts.						Review Board is the Adult's Leadership Team.			Senior Leadership Team to review in May 2016 following a review of the risk management process.	March 2016		

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LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	3	4	12	→	3	3	9			
8	Risk of exposure to judicial challenge resulting from the Care Act reforms and lack of clarity in the regulations and guidance.						Management controls						Comments						
	Lack of clarity in the regulations and guidance, potentially impact on local decisions about service users, self funders, and carers.					Kevin Beale Head of Social Care and Litigation	Lobby the Department of Health through regional Association of Directors of Adult Social Services network about any concerns issues resulting from the final publication of care act regulations and guidance in October. Learn from Case Law, as it arises nationally post April 2015. Our legal team are working with the London Lawyers Group to monitor specific issues related to the Care Act Guidance. There are some parts of the guidance that are ambiguous and therefore require close contact with the Department of Health if any related Judicial Reviews are upheld.						Review Board is the Care Act Board.			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department	March 2016		
LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	4	4	16	→	3	3	9			
2016	Better Care Fund benefits could be less than expected.						Management controls						Comments						
	Risk that Better Care Fund benefits/savings could be lower than expected re: - Integrated Operational Services and - Integrated contracting and commissioning of residential and nursing care. Benefits could be delayed or reduced and overlap with other contract efficiency savings - and risk achievement of savings targets. Particular risk that Community Independence Service does not achieve the required volumes / throughput to achieve benefits.					Martin Calleja Head of Transformation	Benefits Tracker developed across the programme. External evaluation taking place of increased demand for social care, from health. Group A savings contingent on Community Independence Service: regular data collection and review in progress via Lead Providers Oversight Group (LPOG) meeting. Savings gaps flagged at Joint Finance Oversight Group (JFOG), Joint Executive Team (JET) and Better Care Fund Board. Workshop in Autumn to consider other opportunities. Heads of Finance agree composite picture for savings and investment. Monitor spending against projection regularly and report any deviations as priority.						Review Board is the Portfolio Delivery Board.			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department	March 2016		
LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	5	5	25	2	4	8	→	1	1	1			
10	Safeguarding risks						Management controls						Comments						
	Risk of serious safeguarding incident, death or serious injury of vulnerable residents					Helen Banham Strategic Lead Professional Standards and Safeguarding	Robust safeguarding processes in place in operational and provider services and partner organisations. Regular auditing and Quality Assessment of processes and measuring effectiveness reporting to Safeguarding Adults Board. Chartered Institute of Purchasing and Suppliers meeting includes Care Quality Commission and regular discussions about quality and safety of providers.						Review Board is the Adult's Leadership Team.			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department	March 2016		

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LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	4	4	16	→	3	3	9			
11	Reduction in Adult Social Care expenditure and Commissioning budget leading to services being commissioned that are not 'good' quality and not able to deliver outcomes.				<u>Management controls</u>									<u>Comments</u>					
Page 207	Since 2009 Officers have continually sought ways to drive efficiencies in contracted services whilst striving to improve service quality. As need to find efficiencies has increased there is a real risk that we are not able to guarantee the quality of our service provision.				Mary Dalton Head of Complex Needs Commissioning and Paul Rackham Head of Community Commissioning		Commissioning Strategy being developed to explore new approaches to commissioning services in the context of reducing resources including enterprise, outsourcing and new purchasing and community agencies.						Review Board is the Contracts and Commissioning Board.		Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department		March 2016		
	LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	2	4	8	→	1	1	1		
12	Failure to deliver an effective Adult Social Care service model to meet requirements of the Care Act				<u>Management controls</u>									<u>Comments</u>					
Page 207	Operational services and commissioning delivering the Care Act requirements at a time of significant other transformation. Target operating model requirements not clearly defined given the complexity of Transformation Portfolio Delivery with all its projects and programme interdependencies and / or inability to effectively deliver the future state through a controlled approach.				Jerome Douglas Senior Business Analyst		Interdependencies between projects and programmes was mapped. and compile benefits plan to track successful delivery. Follow national programme office tools and guidance across Department of Health, Local Government Association and Association of Directors of Adult Social Services which supports local authorities to implement the Care Act. A set of standard operating procedures have been rolled out to the Adult Social Care teams to enable staff to follow Care Act compliant processes. Staff have opportunity through various channels to feedback if any of the Standard Operating Procedures are unworkable or misleading so that any corrections can be made immediately.						Review Board is the Care Act Board.		Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department		March 2016		

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LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	3	4	12	→	1	1	1			
13	Effective management of contracts due to limited resources					<u>Management controls</u>						<u>Comments</u>							
Page 208	The procurement team are responsible for managing 250 contracts. Alongside that they are scheduled to carry out a large number of procurements. This means there is a risk that some high value contracts are not being monitored effectively and some contracts are not being monitored at all.					Sherifah Scott Procurement	A Managing Supplier Performance Framework has been developed which sets a framework for the amount of contract monitoring resource to be allocated to each contract, thus ensuring that the highest risk/highest value/lowest performing contracts are monitored appropriately.						Review Board is the Contracts and Commissioning Board.			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department	March 2016		
													Commissioning Review will better combine contract management with service development and commissioning enabling a more holistic approach and address capacity issues.						
												Commissioning Plan will look at new models of procurement to reduce the amount of contracts directly required monitoring etc.							
LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	3	5	15	3	4	12	→	1	1	1			
14	Lack of integrated and coherent partnership approach to mental health commissioning					<u>Management controls</u>						<u>Comments</u>							
Page 208	A risk that joint commissioning priorities will be lost or subjected to the wider National Health Service agenda. This might impact on the ability to deliver an integrated offer to individuals with mental health needs resulting in an increased pressure on social care, housing, employment and benefit agencies.					Paul Rackham Head of Community Commissioning and Pauline Mason Service Development Project Manager	Executive management oversight of mental health priorities through Whole Systems Review process Senior management ownership of mental health priorities through the mental health Integrated Plan and mental health Programme Board. Clear identification of work areas and clarification about which organisation will lead following transition. The Adult Social Care mental health commissioner now in place to provide capacity around day services.						Review Board is the Contracts and Commissioning Board.			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department Further liaison with Clinical Commissioning Groups to improve co-ordination.	March 2016		

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LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	3	5	15	3	4	12	→	2	2	4			
15	Inconsistent Multi Disciplinary Team service designs in local Clinical Commissioning Groups.					Management controls						Comments							
Page 209	<p>There is a risk that because the Central London Clinical Commissioning Groups Whole Systems model of geographic 'villages' is not consistent with the Better Care Fund proposals in West London and Hammersmith and Fulham, there will be a negative impact on the potential to develop single models of service (e.g. Common Induction Standards, Long Term Social Work service, Home Care) across the Adult Social Care shared service.</p> <p>Risk that social care included in x3 Clinical Commissioning Group Multi Disciplinary Team models differently; inconsistent involvement and influence of Adult Social Care in design of Multi Disciplinary Teams.</p>					Chris Neal, Whole Systems Lead	<p>Ensure positive engagement with Whole Systems Early Adopters design processes by operational Heads of Service.</p> <p>Adult Social Care Common Induction Standards, Hospital discharge and long term social work teams all part of Customer Journey redesign.</p> <p>New Whole Systems Adult Social Care Director now appointed to improve co-ordination.</p> <p>New Head of Whole Systems appointed</p>						Review Board is the Adult's Leadership Team.			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department	March 2016		

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LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	3	5	15	3	4	12	→	1	1	1			
16	<p>There is a risk of poor quality service provision in care homes where the Council has spot purchased beds which could result in poor care outcomes for individuals.</p>					<p><u>Management controls</u></p>						<p><u>Comments</u></p>							
Page 210	<p>At present there is significant spend with a number of residential/nursing care providers with no block contract in place, only individual contracts relating to the care for the customer. As a result we are not able to impact the quality of the overall home due to no formal contractual relationship being in place.</p>					<p>Sherifah Scott Procurement</p>	<p>The Placement Review function is now situated within the placement and brokerage team and the review process has been redesigned so that Officers also pick up information about the home which is then fed back to the brokerage and review team. A regular Chartered Institute of Purchasing and Supply meeting involves the Care Quality Commission and focuses on homes where there are quality and safety concerns.</p>						<p>Review Board is the Contracts and Commissioning Board.</p>			<p>Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department There are a number of homes identified to be moved onto a block contract based on the number of customers.</p> <p>The Commissioning Review will create more resources to focus on this area.</p> <p>Placement Board to be re-established to identify and resolve issues as they arise.</p>		<p>March 2016</p>	
	LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	4	4	16	→	1	1	1		
17	<p>Deprivation of Liberty Safeguards applications continue to rise and the resources to process them remain fixed</p>					<p><u>Management controls</u></p>						<p><u>Comments</u></p>							
	<p>As a result of the Care Act, in Quarter 1 14/15, 99 Deprivation of Liberty Safeguards applications received; Quarter 1 15/16 264. At the end of Quarter 1 15/16 151 applications have been assessed (57% applications received). A risk of legal challenge for unauthorised detentions remains. Community Deprivation of Liberty Safeguards are being scoped & applications to the codes of practice made.</p>					<p>Helen Banham Strategic Lead Professional Standards and Safeguarding</p>	<p>Priorities for assessment (e.g. urgent referrals where the person may be objecting) are determined using Association of Directors of Adult Social Services guidelines. A system to ensure deaths in Deprivation of Liberty Safeguards are notified to the Coroners is in place. Community Deprivation of Liberty Safeguards requiring authorisation in the Deprivation of Liberty Safeguards are being scoped and applications made.</p>						<p>The risk of legal challenge is low for Shared Services Adult Social Care as all local authorities in the same situation. Shared Services Adult Social Care are making submissions to the Law Commission Review of Deprivation of Liberty Safeguards.</p>			<p>Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department</p>		<p>March 2016</p>	

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LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	4	4	16	→	3	3	9			
18	Operational services do not achieve the level of change to head count, and changes to methods of working and behaviour or is insufficient.						<u>Management controls</u>						<u>Comments</u>						
Page 11	Insufficient change in practice risks the efficiency savings not being realised and targets missed. Associated risk that Information and Communication Technology changes aren't delivered in time to support the practice changes.					Matthew Castle Portfolio Manager	Staff changes are factored into the Customer Journey programme at all stages with clear staff engagement and expression of what the future will look like. Dedicated Information Technology workstream established in Customer Journey programme.						Reviewed as part of the Customer Journey Programme			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department		March 2016	
	LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	4	4	16	3	4	12	→	1	1	1		
19	Fundamental change to the way that home care providers deliver services.						<u>Management controls</u>						<u>Comments</u>						
	New model of home care has personal support planning and re-enabling elements. These are key to achieving efficiencies and improved outcomes.					Christian Markandu Commissioning Manager	Partnership working between local authority and new providers. Support training and development of care workers Learning & Organisational Development supporting this.						Reviewed as part of Home Care			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department		March 2016	
LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	3	4	12	3	4	12	→	3	3	9			
20	There is a risk that new providers are not able to mobilise a team to pick-up existing packages.						<u>Management controls</u>						<u>Comments</u>						
	If this risk materialises, then this will slow down transfer of customers on new contract					Christian Markandu Commissioning Manager	Robust implementation plan including built-in contingency plan and risk rating of new providers.						Reviewed as part of Home Care			Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department		March 2016	

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LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	3	5	15	3	5	15	→	1	1	1				
21	Dual I.T. systems in Mental Health Services / no interoperability/ poor I.T. hardware / systems access and IT support for the specific needs of Mental Health services.					<u>Management controls</u>						<u>Comments</u>								
Page 212	Significant challenges with I.T. systems within Mental Health partnerships with two different I.T. systems being used. Difficult to get whole picture, difficult to get accurate management information, impact on practitioners efficiency having to use two different systems for accessing and recording information. Wide group of stakeholders key group being staff and customers. Particularly difficult re: West London Mental Health Trust.					Brian Vallis, Head of Business Services			Define minimum core mental health dataset for social care system (Frameworki) to support Managed Services Programme, operational and strategic information needs. Negotiate with West London Mental Health Trust around provision of data and achieving improvements in data quality. Support for use of Agresso to ensure providers receive payment.						Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department					
															March 2016					

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LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	2	4	8	2	4	8	→	1	1	1				
22	Risk to quality and continuity of provided services as a result of a failure of a major Third Party/Partner supplier relationships to provide facilities management and infrastructure.					Management controls						Comments								
	Risk that provided services do not meet quality standards adversely affecting customers satisfaction and personal outcomes and risking reputation.				Kevin Williamson Head of Housing with Care Services	Effective monitoring of the contracts at every level. Effective contract / including Service Level Agreements specified from the outset, with partners and third parties properly understanding the service need. Robust plans and partnership arrangements. All stakeholders working to ensure effective relationships built and maintained (inc. internal partners such as Assessment teams).						Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department						March 2016		
Page 213	LBHF	✓	RBKC	✓	WCC	✓	OFFICER(S)	3	5	15	3	5	15	→	1	1	1			
	I.T. Collaboration Tools to support three borough working and partnerships with the National Health Service					Management controls						Comments								
	From an operational and strategic perspective the use of multi case management systems across the National Health Service and social care creates particular risks.				Brian Vallis Head of Business Services	Actively lobbying corporate I.T.. Piloting system solutions (eg. SYSONE) to support joint operational working with the National Health Service. Exploring with North West London Clinical Commissioning Groups in developing North West London data warehouse to provide strategic capability and support development of whole systems working and evaluation.						It is challenging working across 3 boroughs despite there being a number of freely available pieces of software to share calendars, files and information (for example Huddle, Media fire, Doodle). We are also working very closely with Health Partners in delivering the Better Care Fund there are currently no workable file sharing applications which we can use to facilitate this work. This will effect staff and customers. Ultimately the inability to keep up with technology will reflect on the services we provide.						Senior Leadership Team to review risk in May 2016 following an Internal review of the risk management process in the department	March 2016	

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	Risk cause and context					Likelihood	Impact	Overall	Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place

CHILDRENS SERVICES

LBHF	✓	RBKC	✓	WCC		4	5	20	3	4	12	→	3	3	9			
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1	If serious harm comes to a child or young person to whom we have a duty of care for, then the Council and/ or partner agencies could be seen to be at fault.				<u>Management controls</u>											<u>Comments</u>							
Page 214	Potential injury to a client. Reputational harm.				Clare Chamberlain, Director of Family Services for Royal Borough of Kensington and Chelsea, Steve Miley Director of Family Services for London Borough of Hammersmith & Fulham Debbie Raymond/Angela Flahive Head of Combined Safeguarding, Review and Quality Assurance Service				Family Services Directors manage the risk within their departments and ensure controls are in place so that no serious harm comes to a child or young person. Employees have enhanced Disclosure Barring Service checks. Ongoing Safety, Reliability and Quality Assurance and Local Safeguarding Childrens Board activities to ensure quality assurance. Review lessons learnt from cases and ensure appropriate local safeguarding training is given to staff. Co-ordinated responses in an event of an incident (inc. with corporate teams such as media and comms) eg. managing media and public exposure											Reviewed by the Senior Leadership Team 03 March 2016.			March 2016

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Ref	RISK					Assigned To	Inherent risk assessment:			Residual risk assessment: Quarter 4			DOT	Target risk:			Reducing the risk		
	Risk cause and context						Likelihood	Impact	Overall	Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place
LBHF	✓	RBKC	✓	WCC			3	4	12	3	4	12	→	3	3	9			
2	If Looked after Children numbers start to rise, due to increase in Unaccompanied Asylum Seekers (UASC)						Management controls						Comments						
Page 215	There will be an increasing demand for placements. In addition, 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. Financial overspend					Clare Chamberlain, Director of Family Services for Royal Borough of Kensington and Chelsea, Steve Miley Director of Family Services for London Borough of Hammersmith & Fulham	The Assistant Director of Tri-borough Looked After Children/ Care Leavers will drive forward work within the Tri-borough Service. Review of current Unaccompanied Asylum Seekers costs for all three councils including breakdown of how these costs are made up (care, care leavers etc) A Looked after Children tracker and financial placements models in place to monitor numbers, need and cost. Looked after Children numbers are monitored against national trend. Launch of Focus on Practice									Reviewed by the Senior Leadership Team 03 March 2016.	March 2016		
LBHF	✓	RBKC	✓	WCC			3	4	12	3	4	12	→	3	3	9			
3	If staff morale is low, then this may impact on service delivery and people leaving.						Management controls						Comments						
	Failure to meet the needs and expectations of our customers and politicians Failure to meet the needs of the service- Staff may leave					Andrew Christie, Executive Director Childrens Services and Senior Leadership team.	There is no single corporate solution however, there are opportunities to look at this at individual directorate/ service level. On-going staff engagement and consultation should take place and suitable handover and knowledge sharing opportunities should take place before exit. Workforce Strategy in place.						Specific areas: 1. If pay, terms and conditions are not comparable for staff from different boroughs completing equivalent roles, then this may have negative impact 2. If workforce anxiety about on-going changes to services, people may leave 3. If workforce is reduced, then this reduces capacity/ capability to deliver change.			Reviewed by the Senior Leadership Team 03 March 2016.	March 2016		

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LBHF	✓	RBKC	✓	WCC			3	4	12	3	4	12	→	3	3	9			
4	Failure to align public health priorities to support improved outcomes for children and their families						<u>Management controls</u>						<u>Comments</u>						
	We may not be able to exploit the benefits of public health investment which may impact on delivering services. Failure to meet the needs and expectations of our customers and politicians					Rachel Wright-Turner Tri-borough Director of Commissioning (Children's Services)	Ensure regular engagement takes place between colleagues in health services and colleagues across the department.						Reviewed by the Senior Leadership Team 03 March 2016.			March 2016			
Page 216	LBHF	✓	RBKC	✓	WCC		4	4	16	3	4	12	→	3	3	9			
	The changing relationship with schools; we need to ensure effective financial standards and processes are in place in all schools.						<u>Management controls</u>						<u>Comments</u>						
	Failure to meet the needs of the school, Reputational harm					Dave McNamara Tri-borough Director of Finance and Resources	Review and develop the Scheme for Financing Schools across the tri borough to incorporate the funding, procurement and legislative changes. Review the findings of Audit reports to develop and target training at areas of concern and weaknesses in the operation of financial processes within schools.						Reviewed by the Senior Leadership Team 03 March 2016.			March 2016			
LBHF	✓	RBKC	✓	WCC			4	4	16	3	4	12	→	3	3	9			
6	Commissioning and Procurement approach						<u>Management controls</u>						<u>Comments</u>						
	If we do not carry out processes properly (including ensure 'sovereignty' implications) then there is a risk of challenge. Business as Usual but also in projects across the Children's Department. Reputational harm Financial					Rachel Wright-Turner Tri-borough Director of Commissioning (Children's Services)	Ensure that we understand the complexity and timescales of the procurement process and that sufficient time is planned in to undertake the procurement process with robust governance. Where required, inclusion of appropriate 'Sovereign' legal advice. Appropriate level of customer engagement.						Reviewed by the Senior Leadership Team 03 March 2016.			March 2016			

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LBHF	✓	RBKC	✓	WCC		5	5	25	3	4	12	→	3	3	9			
7	<p>If current improvements in the delivery of Passenger Transport Contracts, Travel Care and Support are not sustained, then this will impact on service users.</p>					<p><u>Management controls</u></p>							<p><u>Comments</u></p>					
	<p>Service failure – Children not transported safely Failure to meet the needs and expectations of our customers and politicians. Savings not realised</p>				<p>Rachel Wright-Turner Tri-borough Director of Commissioning (Childrens Services)</p>	<p>Clear performance monitoring and contract management in place. Robust remedial action taken when required. Clear governance arrangements in place. Report by exception to Senior Leadership Team and other governance boards when required. Specific risk log to be implemented. Specific implementation of service development and improvement plan.</p>							<p>Reviewed by the Senior Leadership Team 03 March 2016.</p>			<p>March 2016</p>		
LBHF	✓	RBKC	✓	WCC		5	4	20	4	4	16	→	3	3	9			
8	<p>If Managed Services/Agresso is unable to provide Human Resources and Finance services (e.g. Starters and Leavers, payment to suppliers, etc) then the ability for the department to deliver an effective service will be reduced.</p>					<p><u>Management controls</u></p>							<p><u>Comments</u></p>					
	<p>Failure to deliver service as suppliers/customers not paid Failure to deliver a statutory service Reputational harm</p>				<p>Andrew Christie, Executive Director Childrens Services and Senior Leadership team.</p>	<p>Human Resource / Finance issues reported to BT. Escalation process in place for issues reported to BT and not resolved. Escalate Human Resource issues to Stephen Wood. Escalate Finance issues to Alex Pygram and Caroline Baxter. Work to ensure organisation structure accurate underway with delivery expected by end of August (Retained Finance and Human Resources joint working to deliver) A Service Impact Risk Assessment carried out.</p>							<p>Reviewed by the Senior Leadership Team 03 March 2016.</p>			<p>March 2016</p>		

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LBHF	✓	RBKC	✓	WCC			4	4	16	3	4	12	→	3	3	9			
9	The delivery of further Financial Savings may distract from core business activities, with the risk of service failure.						<u>Management controls</u>							<u>Comments</u>					
	Failure to meet the needs and expectations of our customers and politicians Failure to deliver a statutory service					Andrew Christie, Executive Director Childrens Services and Senior Leadership team.	Use of financial planning process to identify risks associated with any savings proposals and to ensure that they are achievable Ensure full Impact Assessment of any savings proposals. Effective planning for the delivery of savings.							Reviewed by the Senior Leadership Team 03 March 2016.			March 2016		
LBHF	✓	RBKC	✓	WCC			5	4	20	3	4	12	↓	3	3	9			
218	The Director of Children's Services has announced his retirement.						<u>Management controls</u>							<u>Comments</u>					
	Loss of strategic knowledge and relationships Reputational Harm					Andrew Christie, Executive Director Childrens Services and Senior Leadership team.	The three Councils have confirmed arrangements. The post was advertised in January 2016. A recruitment process is underway. Interregnum arrangements will be put in place for the departure of Andrew Christie and before the start date of the new Director of Children's Services.							New risk Reviewed by the Senior Leadership Team 03 March 2016.			March 2016		
LBHF	✓	RBKC	✓	WCC			3	4	12	3	4	12	↓	3	3	9			
11	Commissioning capacity pressures						<u>Management controls</u>							<u>Comments</u>					
	Recruitment timescales expected to require six to nine months to reach service establishment, vacant posts in key commissioning roles; funding variations between boroughs resulting in variable capacity and demand pressures arising from additional transformation projects and programmes.					Rachel Wright-Turner Tri-borough Director of Commissioning (Childrens Services)	Failure to meet the needs of the service Reputational harm							New risk Reviewed by the Senior Leadership Team 03 March 2016.			March 2016		

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CHILDRENS SERVICES PROJECTS

LBHF	✓	RBKC	✓	WCC			5	4	20	3	4	12	↑	3	3	9			
12	Negative impact on each authority if the changes required from the new Children and Families Act are not adequately delivered.					<u>Management controls</u>						<u>Comments</u>							
	Recruitment timescales expected to require six to nine months to reach service establishment, vacant posts in key commissioning roles; funding variations between boroughs resulting in variable capacity and demand pressures arising from additional transformation projects and programmes.				Ian Heggs, Director of Schools, Quality and Standards	Children's and Families Act Executive Board and programme governance in place. Board actively manages high level risks. Multi- Agency resource allocation panel in place to support and moderate decision making/give oversight to high cost placements and joint commissioning. Working with parents via the Parents Reference Group. Full communications and workforce development plan being rolled out across agencies. Key risk remains the capacity to deliver assessments to the 20 week timescale.			New risk			Reviewed by the Senior Leadership Team 03 March 2016.			March 2016				

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LBHF	✓	RBKC	✓	WCC			4	4	16	3	4	12	→	3	3	9			
13	If the delivery of a single Information and Community Services Solution is not feasible or is significantly delayed then this will have a significant impact on several projects and services.					<u>Management controls</u>						<u>Comments</u>							
	Failure to meet the needs of the service Failure to deliver projects on time No savings realised				Rachel Wright-Turner Tri-borough Director of Commissioning (Childrens Services)	The Senior Leadership Team have agreed to a requirements capture approach, target for sign off in early 2016. A representative from Corporate Information and Communications Technology attend Strategy Board. The project is monitored through Portfolio Board on a monthly basis.			New risk			Reviewed by the Senior Leadership Team 03 March 2016.			March 2016				

LBHF	✓	RBKC	✓	WCC			3	4	12	3	4	12	→	3	3	9			
14	If Academy conversions processes are not completed on time then this will be a negative impact on each authority.					<u>Management controls</u>						<u>Comments</u>							
	Failure to deliver improvements and/or changes on time.				Ian Heggs, Director of Schools, Quality and Standards	Monitoring report to each Local Authority's Schools Capital Programme Board to highlight risks as necessary.			New risk			Reviewed by the Senior Leadership Team 03 March 2016.			March 2016				

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LBHF	✓	RBKC	✓	WCC		3	4	12	3	4	12	→	3	3	9			
15	Two year old offer. Failure in statutory duty to provide sufficient places to meet local need, or to support target parents to take up places.					<u>Management controls</u>						<u>Comments</u>						
Page 220	Each Council could fail in its forthcoming statutory duty to provide sufficient places. Harm to the reputation of the service.				Rachel Wright-Turner Tri-borough Director of Commissioning (Childrens Services)	Capital funding for further expansion is being focused on the schools sector. Steering Group is in place. Three Working Groups oversee the workstreams.						New risk			Reviewed by the Senior Leadership Team 03 March 2016.	March 2016		
	LBHF	✓	RBKC		WCC		3	4	12	3	4	12	→	3	3	9		
16	LBHF Transformation proposals for targeted and universal services (Level 1 to 3). Inability to re-shape services to meet community expectations within available resources.					<u>Management controls</u>						<u>Comments</u>						
Page 220	Lack of buy-in from stakeholders and partners. Reputational harm . Savings not realised.				Rachel Wright-Turner Tri-borough Director of Commissioning (Childrens Services)	Communication and engagement plan in place. Consultation to take place. Senior Management oversight when project reported monthly by exception to Senior Leadership Team. Councillor oversight through Scrutiny Committee. Engagement with Public Health and Clinical Commissioning Groups in co-design and joint commissioning.						New risk			Reviewed by the Senior Leadership Team 03 March 2016.	March 2016		

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LBHF	✓	RBKC	✓	WCC		3	5	15	3	5	15	→	3	3	9			
17	Focus on Practice Programme - The Programme fails to deliver the planned benefits including the Looked After Children numbers and those on Child Protection Plans.					Management controls						Comments						
Page 221	Programme does not deliver on its objectives. Reputational harm. Reduction in referrals, Looked After Children numbers.				Clare Chamberlain, Director of Family Services for Royal Borough of Kensington and Chelsea, Steve Miley Director of Family Services for London Borough of Hammersmith & Fulham	Focus on Practice Programme Board actively managing risks and monthly report by exception to Childrens Senior Leadership Team via the Portfolio Board. Focus on Practice Programme Board working group across all aspects of the project. Engaging members, service users, staff and other stakeholders. Cost delivery and benefits realisation plans being developed.						New risk			Reviewed by the Senior Leadership Team 03 March 2016.		March 2016	
	LBHF	✓	RBKC	✓	WCC		4	5	20	3	4	12	↓	3	3	9		
18	School Meals Mobilisation, managing the staggered mobilisation of the new school meals contracts across the three authorities and ensuring the project delivers effective, quality and value for money.					Management controls						Comments						
	Loss of school confidence Failure to deliver quality school meals Reputational harm Savings not realised within the Dedicated Schools Grant and General Fund funding.				Rachel Wright-Turner Tri-borough Director of Commissioning (Childrens Services)	Mobilisation in the Royal Borough took place on 22 January 2016, mobilisation for Westminster City Council will be on 11 April 2016 and for LBHF 6 June 2016. Project Boards (operational and strategic) are actively managing risks. There is active engagement with schools, including opportunities to shape the procurement process. Engagement with wider stakeholder groups (pupils, elected members, existing providers and tenderers) Detailed project delivery plans are in place and regularly monitored.						Modified and restated risk.			Reviewed by the Senior Leadership Team 03 March 2016.		March 2016	

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ENVIRONMENTAL SERVICES (Formerly ELRS and TTS)																		
LBHF	✓	RBKC	✓	WCC		4	4	16	3	4	12	↓	3	3	9			
1	Managing budgets, finance risks and systems.					Management controls						Comments						
	Adverse budget variances and key financial risks.				Mark Jones, Director for Finance and Resources	Regular finance and trading accounts monitoring Work with Planning to secure Community Infrastructure Levy (CIL) and section 106 funds Medium Term Financial Strategy (MTFS) planning process. Parking Control Board. Recruitment approval process. Review adverse variances and report action plan to Departmental Management Team. Planning meetings - monthly workload Programme of audits to combat fraud and theft.						Risk is to be reviewed in July 2016. Quarterly Management Team Review. March 2016						
LBHF	✓	RBKC	✓	WCC		4	5	20	3	4	12	↑	3	3	9			
2	Health and Safety breaches affecting staff and others.					Management controls						Comments						
	Systems, processes and resources are not joined up in the event of a Royal Borough of Kensington and Chelsea and London Borough of Hammersmith and Fulham incident.				Nick Austin, Bi-borough Director for Environmental Health.	Safety audits, Contractors are managed, Construction, Design and Management controls in place, Maintenance and Inspection schemes underpin the engineering response to risk, Monthly compliance reports from the Link, International Standards Organisation Certified Quality Assurance, Learning and Development Plans, Ongoing training programme, Established Health and Safety Committee, Departmental Policy, Divisional Risk Assessments, Statutory responsibilities Audit, Guidance issued with respect to cross borough working and duty of care for both sets of employers. Corporate Health and Safety arrangements currently under review in the Bi-borough programme and protocol signed. Business Continuity Plan in place, regular Service Resilience Group attended.						Risk is to be reviewed in July 2016. Quarterly Management Team Review.. March 2016						
LBHF	✓	RBKC		WCC		3	4	12	3	4	12	→	3	3	9			
3	Phoenix Leisure Centre project not delivered on time.					Management controls						Comments						
	Savings of £279k not met				David Page, Bi-borough Director, Safer Neighbourhoods	Regular finance monitoring. Medium Term Financial Strategy planning process Review adverse variances and report action plan to the Departmental Management Team						Risk is to be reviewed in July 2016. Quarterly Management Team Review. March 2016						

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LBHF	✓	RBKC	✓	WCC		4	4	16	3	4	12	→	3	3	9	<u>Comments</u>				
4	De-stabilisation following the Managed Services Programme					<u>Management controls</u>														
	Disruption to services, Failure to reach income targets, loss of key personnel data.				Mark Jones, Director for Finance and Resources	Departmental ambassadors Developing work-arounds Regular agenda item at the Department Management Team Operational Meetings. Representation at the Shared Services Board. Representation at the Finance Integration Board.												Progress the project, Risk is to be reviewed in July 2016. Quarterly Management Team Review.		March 2016
LBHF	✓	RBKC		WCC		3	5	15	3	4	12	→	3	3	9	<u>Comments</u>				
Page 223	Advertising Hoarding income falls					<u>Management controls</u>														
		Income budgets not achieved.				Maureen McDonald Khan, Director for Building and Property Management	Regular finance monitoring Medium Term Financial Strategy planning process Review adverse variances and report action plan to Departmental Management Team												Risk is to be reviewed in July 2016 Monitor adverse variances, develop action plans to address if required. Consider what we do at the end of the contract in 2017. Quarterly Department Management Team Review.	
LBHF	✓	RBKC		WCC		5	4	20	4	4	16	→	3	3	9	<u>Comments</u>				
6	People Portfolio savings target not met.					<u>Management controls</u>														
	Budget risk of £249k				Nigel Pallace, Chief Executive but collective responsibility to meet this risk across Directors	Regular finance monitoring Medium Term Financial Strategy planning process Review adverse variances and report action plan to Departmental Management Team												Risk is to be reviewed in July 2016 Maximise the use of graduates and unpaid leave etc. Some reserves have been set aside. Quarterly Department Management Team Review.		March 2016

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LBHF	✓	RBKC		WCC		4	5	20	5	3	15	→	3	3	9	<u>Comments</u>		
7	Business rates agreement with Greenwich Leisure cannot be renegotiated.					<u>Management controls</u>												
	Budget risk of £250k				David Page, Bi-borough Director, Safer Neighbourhoods	Regular finance monitoring Medium Term Financial Strategy planning process Review adverse variances and report action plan to Departmental Management Team							Risk is to be reviewed in July 2016 Appeal against rates variation. Renegotiate with Greenwich Leisure Limited. Quarterly Department Management Team Review.				March 2016	
LBHF	✓	RBKC	✓	WCC		4	5	20	5	3	15	→	3	3	9	<u>Comments</u>		
Page 224	Parking suspension income falls as a result of a drop in economic activity.					<u>Management controls</u>												
	Income budgets not achieved. (Budget is £2.424m for Hammersmith and Fulham Council and £6.742m for the Royal Borough of Kensington and Chelsea.)				Mahmood Siddiqi, Bi-Borough Director of Transport & Highways	Regular finance monitoring Medium Term Financial Strategy planning process Parking Control Board Review adverse variances and report action plan to Departmental Management Team							Risk is to be reviewed in July 2016 Understand adverse budget variance, develop action plans if required. Quarterly Department Management Team Review.				March 2016	
LBHF	✓	RBKC		WCC		3	5	15	3	5	15	→	3	3	9	<u>Comments</u>		
9	Earls Court Regeneration, Planning Permission and vacant possession not achieved.					<u>Management controls</u>												
	Unable to provide 750 new homes and project not completed or delayed. £10m damages if Compulsory Purchase Order is not secured.				Juliemma McLoughlin, Director of Planning, Regeneration and Growth	Planning colleagues provide updates via bi-weekly internal project board meetings. Weekly team meetings. Bi-weekly joint working group meeting with CAPCO. Monthly joint project delivery group meeting with CAPCO. Quarterly joint Senior Management and Leader meeting with CAPCO.							Risk is to be reviewed in July 2016. Quarterly Management Team Review. Planning Officers to continue with Earls Court team and CAPCO and report to Leader and Senior Management.				March 2016	

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LBHF	✓	RBKC		WCC			3	5	15	3	5	15	→	3	3	9	<u>Comments</u>			
10	Fulham Court/Barclay Close investment plan not agreed with residents and management agreement for Tudor House community centre not in place.						<u>Management controls</u>													
	May not proceed with project and the Council to retain the management of the community centre with financial impact and reduced effectiveness of the facility.					Juliemma McLoughlin, Director of Planning, Regeneration and Growth	Regular communications meetings. Estate newsletters and events. Regular meetings with Housing Services												Risk is to be reviewed in July 2016. Quarterly Management Team Review. Resident steering group established. Dedicated staff resource to explore alternative options.	March 2016
LBHF	✓	RBKC		WCC			4	5	20	3	4	12	→	3	3	9	<u>Comments</u>			
11	Shepherds Bush Market. Developer not assembling remaining land interest for regeneration scheme.						<u>Management controls</u>													
	Project not completed or delayed.					Juliemma McLoughlin, Director of Planning, Regeneration and Growth	Landowners meetings Project Boards.												Risk is to be reviewed in July 2016. Quarterly Management Team Review. Feedback from facilitated workshops.	March 2016
LBHF	✓	RBKC		WCC			4	5	20	3	4	12	→	3	3	9	<u>Comments</u>			
12	Risk that the Fulham Coroners Office is not delivering to service KPI's and customers expectations.						<u>Management controls</u>													
	Impact to the Mortuary process of delivering bodies to funeral parlours within expected timescales. Reputational risk to the council due to poor service received by residents,					Alistair Ayres, Head of Emergency Services	Monitored closely.												Complaints regarding the service have reduced. Calls are being answered and the backlog is reducing. Judicial Conduct Investigations Office complaint now with the investigating judge who will interview all parties. Risk is to be reviewed in July 2016. Quarterly Management Team Review.	March 2016

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LBHF	✓	RBKC	✓	WCC		4	5	20	3	4	12	→	3	3	9	<u>Comments</u>		
13	Risk that there is growth in competition in the leisure market.					<u>Management controls</u>												
	Impact on the Medium Term Financial Strategy		Ullash Karia, Head of Leisure		Regular contract meetings Close monitoring, Reduction in monthly membership figures. Working closely with Greenwich Leisure Limited. Monitoring in place regarding recent growth in budget gyms. Investing in facilities. Membership seems to have bounced and are at pre budget gym opening levels											Risk is to be reviewed in July 2016. Quarterly Management Team Review.		March 2016

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LBHF	✓	RBKC		WCC			3	4	12	3	4	12	→	3	3	9	<u>Comments</u>		
14	Funding from Public Health is lost and the leisure centre is not refurbished because the school does not wish to proceed. This would also result in no reduction to the current subsidy in the region of £380k					<u>Management controls</u>													
Page 227	Impact on the Medium Term Financial Strategy				Ullash Karia, Head of Leisure	Close monitoring										Directors meeting with schools to understand the position and rationale for not pursuing with capital development utilising Public Health funds. Noting that if the new development does not take place there be a major impact on Medium Term Financial Strategy Savings (circa £380k). Risk is to be reviewed in July 2016. Quarterly Management Team Review.	March 2016		
	LBHF	✓	RBKC		WCC		4	4	16	4	4	16	→	3	3	9	<u>Comments</u>		
15	The risk of levels of reported crime (TNO's) increasing, and not meeting targets set out by the Mayor's Office for Policing and Crime - MOPAC embedded in the Strategic Assessment					<u>Management controls</u>													
	Increasing levels of reported crime.				Claire Rai, Head of Service, Community Safety	Monthly meetings identify trends and put actions in place as soon as crimes increase. The Crime and Disorder Reduction Partnership also meets on a three monthly basis to review crime levels as does the Safer Neighbourhood Board. Five of the seven Mayor's Office targets are currently being met.										Risk is to be reviewed in July 2016. Quarterly Management Team Review.	March 2016		

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LBHF	✓	RBKC		WCC		5	4	20	4	4	16	→	3	3	9	<u>Comments</u>		
16	Risk of Transport overspend by £120k this year and ongoing into next financial year.					<u>Management controls</u>												
Page 228	Overspend needs to be covered from other budgets, which has an adverse impact on those services.				Alistair Ayres, Head of Emergency Services	Monitor closely.							£100k growth bid in place but no confirmation will receive the money. Plan to close the workshop to be completed and consultation to begin as soon as possible.			Risk is to be reviewed in July 2016. Quarterly Management Team Review.	March 2016	
	LBHF	✓	RBKC		WCC		3	5	15	3	5	15	→	3	3	9	<u>Comments</u>	
17	Serco Ltd. Become less financially stable and are unable to pay fuel debts due to the Council and carry out their waste contract responsibilities.					<u>Management controls</u>												
	Increased bad debt and potential for disruption and/or non delivery of a key service.				Kathy May, Head of Waste Management, Markets and Enforcement	Monitor Creditsafe reports. Monitor fuel debt levels and take appropriate debt recovery action. Net off and significant debts from the monthly waste contract invoice paid to Serco (the contract provides for this). The Council will endeavour to pay the e monthly waste and street cleansing contract invoices on time to not adversely affect Serco's cashflow.										Keep under review and brief senior officers and Members. Risk is to be reviewed in July 2016. Quarterly Management Team Review.	March 2016	

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LBHF	✓	RBKC		WCC		5	4	20	4	4	16	→	3	3	9	<u>Comments</u>			
18	Medium Term Financial Strategy £163k for cessation of Serco night-time clear-all dependent on reduction in night-time dumped waste, especially unpaid-for commercial waste.					<u>Management controls</u>													
	Savings not achieved.				Kathy May, Head of Waste Management, Markets and Enforcement	No night-time enforcement service to check for unpaid-for commercial waste.												External enforcement resource being recruited on a trial basis for night-time work from January 2016 following agreement with the cabinet Member. Risk is to be reviewed in July 2016. Quarterly Management Team Review.	March 2016

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	Risk cause and context					Likelihood	Impact	Overall	Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place	
Risk number 19 is a sovereign RBKC risk																			
LBHF	✓	RBKC		WCC			4	4	16	4	4	16	→	3	3	9			
20	Risk that recruitment drive will not attract enough multi skilled staff to undertake notices/undertake duties.					<u>Management controls</u>						<u>Comments</u>							
Page 28 of 30	Income not achieved, risk of not delivering on budget,				Mary Byrne, Customer Experience/Performance Reporting Manager	Trying to multi-skill existing Officers but severe staff shortages so not always easy to factor into rota.									Risk is to be reviewed in July 2016. Quarterly Management Team Review. March 2016, Waiting on BT to implement structures on Agresso. BT need to notify the service that it is ok to place adverts.	March 2016			
	LBHF	✓	RBKC		WCC		5	5	25	5	5	25	→	3	3	9			
21	Risk that income targets for the duct asset contract are not achieved due to Council not agreeing to sign the wayleave agreement.					<u>Management controls</u>						<u>Comments</u>							
Page 29 of 30	Income not achieved.				Mary Byrne, Customer Experience/Performance Reporting Manager	Monitor and feedback from Finance Director						The duct asset concession agreement remains at risk until the Council has reached agreement with ITS.			Risk is to be reviewed in July 2016. Quarterly Management Team Review. March 2016 Councillors still in discussion with ITS Technology, no further updates or progress. October 2015 ITS meeting with councillors Fennimore and Vincent to consider the Council's response to ITS's proposal for free broadband access.	March 2016			

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LBHF	✓	RBKC		WCC		3	4	12	3	4	12	→	3	3	9			
22	Commercial Waste Target not achieved.					<u>Management controls</u>						<u>Comments</u>						
	Income not achieved.				Mary Byrne, Customer Experience/Performance Reporting Manager	Working closely with sales officers and back office to ensure all leads followed up and contracts sent out timely to all new customers.						March 2016 Team continue to bring in additional contracts but difficulty in tracking income and debt duty to Agresso.			Risk is to be reviewed in July 2016. Quarterly Management Team Review.	March 2016		
LBHF	✓	RBKC	✓	WCC		3	4	12	3	4	12	→	3	3	9			
	IT Changes (powersuite and managed services) which may result in disruption to systems and thereby have an impact on income.					<u>Management controls</u>						<u>Comments</u>						
	Income not achieved.				Mary Byrne, Customer Experience/Performance Reporting Manager	Working closely with Information and Communications Technology, powersuite and internal Customer Access team to ensure a smooth transition. Regular project team meetings and progress tracking take place. Phased approach has been adopted. Phase 1 testing and form building to be followed by a reactive phase.						Ongoing monitoring			Risk is to be reviewed in July 2016. Quarterly Management Team Review. March 2016 Testing will start in May 2016 and go-live in October 2016. Once testing has started (we will use the User Acceptance Testing that the Royal Borough have in place) we will know by July if the Powersuite is functioning properly.	March 2016		

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LBHF	✓	RBKC		WCC		3	4	12	3	4	12	→	3	3	9					
24	Risk of the Bin Stock running out due to budget shortage.					<u>Management controls</u>						<u>Comments</u>								
Page 232	Income not achieved.				Mary Byrne, Customer Experience/Performance Reporting Manager	Monthly review of bins, budget spend and pending contracts and sales.						March 2016 budget not sufficient currently to offer services to customers. Current budget £10k (needs approximately £25-30k per annum). However the stock will run out and there will be shortages.						Risk is to be reviewed in July 2016. Quarterly Management Team Review. Closely monitor when signing up new contracts.		March 2016
	LBHF	✓	RBKC		WCC		4	4	16	4	4	16	→	3	3	9				
25	Risk that debt in Commercial Waste continues to increase.					<u>Management controls</u>						<u>Comments</u>								
	Increased debt.				Mary Byrne, Customer Experience/Performance Reporting Manager	Debt officer ringing customers to chase daily.						March 2016 Debt being robustly monitored by team as best they can due to Agresso issues.						Risk is to be reviewed in July 2016. Quarterly Management Team Review. Waiting on year end accounts to try and get a true picture.		March 2016

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LBHF	✓	RBKC		WCC		4	4	16	4	4	16	→	3	3	9			
26	Internal Housing are planning to purchase their own bins and stop their hire agreements with Commercial Waste.					<u>Management controls</u>						<u>Comments</u>						
	Commercial Waste will lose £150k of income.				Mary Byrne, Customer Experience/Performance Reporting Manager	Weekly monitoring at the project team meetings for both.									Risk is to be reviewed in July 2016. Quarterly Management Team Review. March 2016 Awaiting approval from finance for £40k per annum over three years to improve current housing bin stock as part of the proposal to be sent to housing.	March 2016		

* Risk 27 is a sovereign RBKC risk

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FINANCIAL CORPORATE SERVICES (Corporate Finance, H&F Direct and ICM)

LBHF	✓	RBKC		WCC			4	5	20	3	4	12	NEW	1	1	1			
1	Budget monitoring					Management controls						Comments							
Page 234	The on-going issues regarding Agresso implementation have meant limited assurance can be placed on actual expenditure data from the Agresso system.				Andy Lord, Head of Finance, Budget Planning and Monitoring	Monthly monitors have been produced based on discussions with service managers and use of other systems, such as Framework-I. Departments also developed work-around procedures for use of data from Agresso. The focus has been on high risk areas. There is a Pilot project in Children's Services using the Agresso budget monitoring system, there are concerns around the data and particular issues on payroll data.						Managed Services stabilisation plan is in place. This includes data cleansing and correction.				There are ongoing discussions on how to resolve monitoring issues for 2016/17	March 2016		
	LBHF	✓	RBKC		WCC		5	5	25	4	5	20	NEW	1	1	1			
2	V.A.T. and the Construction Industry Scheme					Management controls						Comments							
	Risk of incorrect VAT and Construction Industry Scheme returns to Her Majesty's Revenue and Customs. Risk of fines for late or incorrect submissions. Risk of Her Majesty's Revenue and Customs risk rating for the authority increasing and Her Majesty's Revenue and Customs audit uncovering errors and omissions and resultant penalties. Risk of breaching the V.A.T. Partial Exemption threshold if tax on exempt supplies exceed 5% of overall input tax (estimated cost £2-3million in a year of breach)				Managed Services Programme - Chris Harris, Head of Corporate Accountancy and Capital	Returns are wholly dependent on system generated reports. Mitigation is available to manage partial exemption position but has to be agreed with Her Majesty's Revenue and Customs and is not guaranteed.						Estimated returns are having to be made. The ability to do these is of limited duration and will raise concerns within Her Majesty's Revenue and Customs on Council's ability to accurately make returns and payments.				Her Majesty's Revenue and Customs representatives were briefed in March 2016 and there was a constructive discussion but a residual risk remains.	March 2016		

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LBHF	✓	RBKC		WCC			5	5	25	3	4	12	NEW	1	1	1					
3	Orders and Payments					Management controls									Comments						
	Lack of information on what is being sent to suppliers and how. Risk that orders may not be generated, sent to wrong address (including email), with the wrong order details.					Managed Services Programme - Chris Harris, Head of Corporate Accountancy and Capital			Products on Agresso should be selected where possible to mitigate risk of ordering the wrong thing.						Currently unable to view orders on Agresso to allow officers to correctly liaise with suppliers. Product list is unwieldy and officers are finding it difficult to select the correct items.			This is a council wide issue but continues to improve with training. A review of the product list is underway but not yet complete.		March 2016	
LBHF	✓	RBKC		WCC			5	5	25	3	4	12	NEW	1	1	1					
4	Access and Authorisations					Management controls									Comments						
	Financial risk because staff are coding orders etc. to cost centres they have access to rather than where things should go - e.g., loss of specific grant, potential risk of fraud etc.					Managed Services Programme - Chris Harris, Head of Corporate Accountancy and Capital			Asking for additional access but rigid application of rules is sometimes delaying this being granted.						This has improved through the organisational structure review.			March 2016			
LBHF	✓	RBKC		WCC			4	5	20	3	4	12	NEW	1	1	1					
5	Invoices					Management controls									Comments						
	Risk that invoices are not being captured for processing on the system. Anecdotal evidence that invoices forwarded to Intelligent Capture are not turning up for subsequent processing despite being sent numerous times.					Managed Services Programme - Chris Harris, Head of Corporate Accountancy and Capital			Even allowing for the known issue of only one invoice per email to Intelligent Capture, there appear to be a number of occasions where invoices don't seem to be coming through.									March 2016			

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LBHF	✓	RBKC		WCC		4	5	20	4	4	16	NEW	1	1	1			
6	Bank Charges					Management controls						Comments						
Page 236	Financial risk of increased bank charges. If the council is in an overdrawn position, each night, then there is an overdraft charge of 1.5% interest.				Managed Services Programme - Chris Harris, Head of Corporate Accountancy and Capital	This is now stabilising but for the year to January 2016, due to the problems that have been encountered in processing payments, a far larger number of faster and CHAPS payments have gone through than normal.						Upto February 2016, the council was overdrawn 67 times requiring an average of £150k. In each case the way BT process the payments means there is an additional Swift charge of £1 per payment. This resulting in monthly bank charges at present many times higher than pre-Managed Services.						March 2016
LBHF	✓	RBKC		WCC		4	4	16	3	5	15	NEW	1	1	1			
7	BT Support					Management controls						Comments						
	Probably an issue as much as a risk. Poor answer times on telephone. Little or no follow up from BT on queries and issues raised. Risk that issues get forgotten.				Managed Services Programme - Chris Harris, Head of Corporate Accountancy and Capital	Performance monitoring of the Managed Services Contract.						Waiting times for telephone response is high. Staff are not bothering to call so likely that this is being under-reported.						March 2016

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LBHF	✓	RBKC		WCC		5	5	25	4	4	16	NEW	1	1	1				
8	Interface Processing					Management controls							Comments						
	Risk of feeder systems being incorrectly updated by Agresso				Managed Services Programme - Chris Harris, Head of Corporate Accountancy and Capital	Files are transitionally monitored and supported by a Transitional Interface team led by the Hammersmith and Fulham Bridge Partnership.							There are still examples of files into and out of Agresso not being correctly processed. Receipts, payments, refunds, suspense, BACS etc.			This will be picked up at contract monitoring with BT.	March 2016		
Page 237	LBHF	✓	RBKC		WCC		5	5	25	4	4	16	NEW	1	1	1			
	Non Achievement of Savings					Management controls							Comments						
	Risk that posts that have been deleted as part of the Managed Services Programme implementation will need to be recreated and recruited to because processing has not reduced by the amount anticipated.				Managed Services Programme - Chris Harris, Head of Corporate Accountancy and Capital	Implementation costs reviewed. Significant extra funding approved. Regular monitoring and review of costs in place.							Regular monitoring and review of costs in place.				March 2016		
LBHF	✓	RBKC		WCC		5	4	20	3	4	12	NEW	1	1	1				
10	Final Accounts and Government Returns					Management controls							Comments						
	Current operating difficulties may expose the Accounts to risk of qualification. External Audit may increase their risk profile of the authority leading to more extensive testing and challenges etc. Government returns will take longer to prepare and be at risk of challenge				Managed Services Programme - Chris Harris, Head of Corporate Accountancy and Capital	The Corporate Finance Team have undertaken significant work to assemble additional assurance as part of the Closing of Accounts. This has necessitated taking on a number of extra staff and will inevitably come at a cost.							Audit requirements and notes to the accounts require input from BT staff to ensure complete and accurate information is available from Agresso.			Corporate Finance team to work with BT to ensure control account reconciliations and notes are fit for audit by specifying clear requirements and challenging information given and that relevant information is available to compile the notes to the accounts.	March 2016		

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LBHF	✓	RBKC		WCC		4	5	20	3	5	15	NEW	1	1	1			
11	Payment of suppliers - Payment errors					Management controls						Comments						
	Risk that duplicate payments may be made, or payments may be made to the wrong supplier. Whilst there are processes in place to identify duplicate payments, use of manual payment forms and the introduction of multiple suppliers has increased the risk of this occurring. The limited budget monitoring information means that those that have been made may not be picked up. If this is not identified, it may result in financial loss to the Council.				Managed Services Programme - Chris Harris, Head of Corporate Accountancy and Capital	There are a number of duplicate payment procedures in place, both in-built in the system and through the transitional process.						A duplicate payment review should be scheduled once we transition into business as usual. This should include a review of duplicate supplier set ups and accuracy of supplier set ups.						March 2016

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LBHF	✓	RBKC		WCC		5	5	25	3	5	15	NEW	1	1	1			
12	Contact Centres Procurement					Management controls						Comments						
Page 239	Unsuccessful procurement and mobilisation of both contact centres by 31/10/2016				John Cordani, Head of Customer Services	Business Board did not approve paper proposing that following an unsuccessful tender that the service should be transferred back internally. Investigation into possibility of extending the existing contract whilst investigating longer term objectives for a corporate contact centre.						If there is not an acceptable quote from a framework other options will need to be considered such as bring back the Day Time contact centre in-house and calling off the framework from General Dynamics Information Technology framework for the Out of Hours service.						
LBHF	✓	RBKC		WCC		5	3	15	5	3	15	NEW	1	1	1			
13	My Account - Business as Usual					Management controls						Comments						
Page 239	Procurement of My Account by the end of the Hammersmith and Fulham Bridge Partnership term on 31/10/16				John Cordani, Head of Customer Services	Legal have confirmed there is no contact between the council and Hammersmith and Fulham Bridge Partnership or Agilisys Digital.						If there is no contract between the council and Hammersmith and Fulham Bridge Partnership of Agilisys Digital a procurement for a new portal or a contract for maintenance only on the current portal will need to be in position by 31/10/16 so that there is no impact to residents.						

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PUBLIC HEALTH																								
LBHF	✓	RBKC	✓	WCC	✓		4	5	20	3	4	12	↑	3	3	9								
1	Public Health Grant reductions and removal of the ring-fence.					<u>Management controls</u>						<u>Comments</u>												
Page 240	Health outcomes will be impaired by the reduction of the Public Health Grant reductions and Public Health's ability to deliver against the Councils medium term plans.					Dr Mike Robinson, Director of Public Health					PH Finance Business partners continue to undertake scenario planning and prepare various budget proposals about future reductions that the Public Health Grant will be subject to an average 3.0% reduction (in real terms) over the next 5 years. The announced in-year reduction to the grant of 6.2% has been met.					A task and finish group has been set up to review current and future years potential grant allocation and budget commitments in reducing grant context, with a view to aligning spend to the Public Health vision for the Councils.					Review of commissioning, contracts and procurement programmes to identify where efficiencies can be achieved for future year. Senior Leadership Team to review the risk in the next Quarter.			April 2016
	LBHF	✓	RBKC	✓	WCC	✓		3	5	15	3	4	12	→	3	3	9							
2	Consequences of reprourement and the procurement process.					<u>Management controls</u>						<u>Comments</u>												
						Dr Mike Robinson, Director of Public Health					Stimulate the market through stakeholder and market development events. Develop service contingency plans. Horizon scanning.					Could destabilise service delivery. This has wider implications to across the Councils and wider unrelated services.					Senior Leadership Team to review the risk in the next Quarter.			April 2016
LBHF	✓	RBKC	✓	WCC	✓		3	5	15	3	4	12	→	3	3	9								
3	Clinical Governance					<u>Management controls</u>						<u>Comments</u>												
	Adequate assurances are required of our providers and their clinical governance processes.					Ike Anya, Deputy Director, Consultant in Public Health Medicine					Clinical Governance Policies to be developed. Staff to be provided with clinical governance guidelines. Monitoring mechanisms to be put in place.					A consequence of this risk is that there could be a lack of focus on clinical safety and quality.					Senior Leadership Team to review the risk in the next Quarter.			April 2016

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LBHF	✓	RBKC	✓	WCC	✓		3	4	12	3	3	9	NEW	3	3	9			
4	Public Health Restructure						Management controls						Comments						
	The uncertainty about the direction of Public Health and the instability in Public Health Teams affects the delivery of key outputs.					Radhike Dube, Head of Operations, Public Health	The Public Health operating model is currently being reviewed by the Director of Public Health, with a view to a revised model being announced in July. Team events have been planned to engage staff and take them through the next steps for the service. Preliminary consultation with staff; Managers are attending Leadership workshops; one to one discussions with staff as part of annual appraisal.						Previous risk, recruitment and retention deleted and replaced with this new risk.			Senior Leadership Team to review the risk in the next Quarter.	April 2016		
INFORMATION MANAGEMENT AND TECHNOLOGY																			
LBHF	✓	RBKC	✓	WCC	✓		5	4	20	3	4	12	→	3	3	9			
1	Co-ordination and control of IT procurement across the three Councils.						Management controls						Comments						
	The method of procurement varies from Council to Council, this includes the use of the Councils new e-procurement system. CapitalESourcing is used to record procurement activity but not currently for Hammersmith and Fulham Bridge Partnership.					Ed Garcez, Tri-borough Chief Information Officer	It is inevitable that the Hammersmith and Fulham Bridge Partnership will adopt their own procurement approach, and this approach will not change before the contract ends in October 2016. The risk is noted and will as best possible be mitigated by the establishment of the shared Information and Communications Technology service which is now progressing well. There is a dependence on Capital eSourcing now across the three councils, and a formulation of Information and Communications Technology strategic controls being inserted into all procurements. In addition, the use of in house data centres will be costed.						Reviewed by Department Leadership Team 17th March 2016				March 2016		

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LBHF	✓	RBKC	✓	WCC	✓		5	4	20	3	4	12	→	3	3	9			
2	Denial of service vulnerability as networks converge.						Management controls						Comments						
	Unmitigated. Risk has been recognised and is under consideration.					Ed Garcez, Tri-borough Chief Information Officer	In order to manage an external threat, defences have been deployed, including Public Services Network CoCo and perimeter PenTest. In addition, a Social engineering exercise is planned for this quarter in order to highlight potential areas of concern. ICO have undertaken a review in H&F, and this is extending across the other 2 councils. The ICT Convergence project is being treated appropriately as a proper change initiative, rather than just an ICT project. In addition, there is a move to Re-establish the Programme group						Reviewed by Department Leadership Team 17th March 2016						
LBHF	✓	RBKC	✓	WCC	✓		5	4	20	4	4	16	→	2	4	8			
3	Failure to manage Information following outsourcing and assurance from service providers to maintain effective records management and control.						Management controls						Comments						
						Ed Garcez, Tri-borough Chief Information Officer	Guidance has been prepared for the Procurement Working Group (led by RBKC Cabinet Members). This will be introduced for all procurements. To review in March 2016. Information Management is represented on the Procurement and Risk Advisory Group and assisting in the creation of guidance and training for contract managers from business case to contract management. Also in the development of disaster recovery/business continuity plans. Privacy Impact Assessments are mandatory for all new procurement and re-procurement activity - this provides a checklist for the business to put in place with regard to the sharing and handling of personal data once the contract is in place, eg information sharing agreements that list information types and the means by which information is shared. A shared information management strategy is in place with a programme of work overseen by the Head of Information Management Since the Head of Information Management has been appointed, there is greater co-ordination across the three councils' sovereign Information Management teams, including information security and Local Land and Property Gazetteer. The Head of Information Management sits on the Caldicott Guardian Information Governance Group and works closely with the newly appointed Adult Social Care and Childrens Services' Information Governance Officer. The newly created division of Business Partnering alongside Information Management will assist Information and Communication Technology Services to manage contracts in compliance with statutory, regulatory and best practice requirements.						Reviewed by Department Leadership Team 17th March 2016 A Shared Services Head of Information Management has now been appointed.						

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LBHF	✓	RBKC	✓	WCC	✓		5	4	20	3	4	12	↑	3	3	9			
4	Information Technology functions across the 3 Councils are not operating as a single entity.						<u>Management controls</u>							<u>Comments</u>					
						Ed Garcez, Tri-borough Chief Information Officer	Appointment made of a Tri-borough Chief Information Officer. Shared Services now have IT relationship managers and a problem manager in place to assist departments The Information and Communications Technology phase 1 restructure has now been completed, with all staff in post in January 2016. A single set of standards for all of the 3 authorities is expected to be drafted and agreed by the Head of Strategy This will be reviewed again in July when, subject to approval, the service is expected to be defined. A full population of the structure will be subject to recruitment timescales A cohesive governance structure for Information and Communications Technology is currently being established, including the Strategy & Portfolio Board for business managers and the Digital Board for Management and Member Information and Communications Technology Leadership.							Reviewed by Department Leadership Team 17th March 2016 Strategy and Portfolio Board and the Digital Board have overview.			Phase 2 and in parallel Phase 3 reorganisations are in motion.	March 2016	
LBHF	✓	RBKC	✓	WCC	✓		5	4	20	4	4	16	→	3	3	9			
5	Inability to enable the business and corporate Information and Communications Technology programmes and projects in managing their information assets in compliance with their information management statutory and regulatory requirements as a result of staffing incapacity across the Information Management Team.						<u>Management controls</u>							<u>Comments</u>					
						Ed Garcez, Tri-borough Chief Information Officer	Information Management Target Operating Model to be implemented as part of Phase 2 of the Shared Services Information and Communications Technology services re-organisation. In the interim employ the following temps to cover current vacancies: Senior Information Management Officer in the London Borough of Hammersmith and Fulham Information Officer to be recruited in Westminster City Council Information Management / Office 365 expert to be recruited							Reviewed by Department Leadership Team 17th March 2016, Business Board and Shared Services Board			Phase 2 and in parallel Phase 3 reorganisations are in motion.	March 2016	

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	Risk cause and context					Likelihood	Impact	Overall	Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place	
LBHF	✓	RBKC	✓	WCC	✓		5	4	20	4	4	16	→	2	4	8			
6	Inability to deliver the three workstreams and roadmap of the Tri-borough Information Management Strategy					<u>Management controls</u>						<u>Comments</u>							
Page 244					Ed Garcez, Tri-borough Chief Information Officer	A new Information Management Strategy Programme Manager has been selected within the team and due to start in April/May. Information asset workstream is underway led by Westminster City Council (Fatima Zohra) when time permits. Learning and Development workstream is underway led by the London Borough of Hammersmith and Fulham Council with a dedicated Programme Manager and delivery contractor in place. (Dave Sifleet). Governance workstream lead has changed from the Royal Borough of Kensington and Chelsea to the London Borough of Hammersmith and Fulham Senior Information Management Officer and due to start in April/May. The Communications Plan has a dedicated Information Management Lead from the Royal Borough of Kensington and Chelsea (Rebecca Parades)						Reviewed by Department Leadership Team 17th March 2016				March 2016			
	LBHF	✓	RBKC	✓	WCC	✓		5	4	20	4	4	16	→	2	4	8		
7	Threat of Cyber Attacks					<u>Management controls</u>						<u>Comments</u>							
	There have been a number of instances of local authorities being targeted by attacks				Ed Garcez, Tri-borough Chief Information Officer	Specific controls in place. Cybersecurity audit undertaken for the Royal Borough of Kensington and Chelsea recently, with three medium priority recommendations for the Head of Information Management and the Royal Borough of Kensington and Chelsea Information Security Manager. In addition, a Cyber Security paper was produced for Members. After a series of attacks primarily aimed at the Royal Borough of Kensington and Chelsea but also affecting the London Borough of Hammersmith and Fulham and Westminster City Council, a series of mitigations were put in place including a reminder to staff not to click on downloads or links from unknown email addresses.						Reviewed by Department Leadership Team 17th March 2016				March 2016			

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HOUSING

LBHF	✓	RBKC	WCC			4	4	16	4	4	16	→	3	3	9	Comments				
1	Welfare Reform /Local Housing Allowance Changes																			
Management controls																				
Page 245	Increased demand & decreased supply. Changes in the welfare benefit system. Impact on Homelessness acceptances, Temporary accommodation expenditure and the Housing Revenue Account bad debt cost and void levels.				Mike England / Kathleen Corbett, Director for Finance and Resources				HB Assist linked with new prevention strategy, Incentive package for private landlords is in place. Housing Options have strengthened front of house to provide more tailored advice, assistance and homelessness prevention services, full membership of a West London Procurement framework with a panel of third party providers providing accommodation inside and outside London Sent out Direct Debit forms to every tenant with the rent increase letter, improved direct debit set up on i-world, implementing the ability to set up Direct Debits over the phone, Direct Debit campaign, Housing management under occupation focus regarding spare room subsidy and the bedroom tax.					Increase in demand currently being managed. New Welfare Reform Project Board has now been created to manage the approach to the Overall Benefit Cap and the rollout of Universal Credit however we are seeing increasing pressure on the General Fund Budgets and, unlike previous years, do not expect to report an underspend this year. Reduction of the Overall Benefit Cap from April 2016 and 4 year freezing of working age benefits, including Local Housing Allowance will add further pressure on our ability to procure temporary accommodation			Development of procurement strategy. Report to Cabinet in June 2015 on approaches to Lots1 & 2. Lot 2 involves an agreement with third party suppliers offering to buy property for use as temporary accommodation. Tendering exercise to be reported to Cabinet in April or May 2016. Partnership with RP's engaged in a proactive asset management strategy may yield additional units, increase the number of nominations made available to the Council to vacancies in stock owned by Registered Providers. The restriction of housing benefit payments to single people under 35 living in social housing to the shared accommodation rate, announcement by the Government as part of the Comprehensive Spending Review on 25th Nov 2015, is likely to impact on some of our Council tenants, work is currently underway to assess how many and to develop an approach to help residents maintain their tenancies.			February 2016

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LBHF	✓	RBKC		WCC		4	5	20	4	5	20	→	3	3	9	<u>Comments</u>		
2	Delivery of Medium Term Financial Strategy savings					Management controls												
	Future MTFS savings not delivered or that in 2021 rents continue to be enforced by statute and that the council is unable to return to the rent policy agreed last year with tenants of CPI plus 1% plus £1. In the Housing Revenue Account this would lead to further reductions in planned repairs over the next ten to fifteen years or that fixed term tenancies are imposed by government impacting void rates				Kathleen Corbett, Director for Finance and Resources	As a strategic management team continue to seek ways to reduce costs and generate additional income, focus on opportunities for increasing advertising income and on ensuring we are spending money on communal and planned repairs effectively and efficiently, embed Head of Financial Investment and Strategy into planned works budget monitoring meetings to look for efficiencies, work with residents to look for efficiencies						See existing controls which have just been put in place and now need to be strengthened so seeking efficiencies while improving service becomes cultural and ensure this sits alongside our customer service improvement programme.						February 2016

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LBHF	✓	RBKC		WCC		3	4	12	3	4	12	→	3	3	9	<u>Comments</u>		
3	Proposals for the future of the Councils Housing Stock.					Management controls												
	The programme is not delivered and money is spent with no firm outputs.				Mike England Director for Housing Options Skills & Economic Development	Programme Team established November 2014, Residents Commission on Council Housing established in March 2015 to oversee the Options Appraisal. Commission reported in November 2015. Cabinet approved recommendation to pursue Housing Stock Transfer on 7 December 2015, including budgets for pre-ballot expenditure to June 2016.						Continue to monitor via Programme Board. Programme now having to take account of important changes in the Summer Budget around reductions in social rents to 2020, the forced sale of Council homes and reductions in welfare benefits. Workstreams now in place to produce recommendations about the creation of the new landlord, increase the breadth of resident consultation and engagement, build up an "offer" for residents, and opening discussions with the Department of the Communities and Local Government about the terms of transfer.			Discussions with the Government Department for Communities and Local Government have now commenced. Next milestones are in March 2016, when members will review progress against expenditure and June 2016, when it is hoped to be in a position to decide whether to go to ballot.		February 2016	

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LBHF	✓	RBKC		WCC		5	5	25	5	5	25	→	3	3	9	<u>Comments</u>		
4	Earls Court Regeneration				<u>Management controls</u>													
Page 248	The scheme is currently under review following the change of Administration, this may lead to either the loss of receipts or to receipts being received as realisable capital receipts later than currently predicted in the HRA business plan. Receipts in the Housing Revenue Account business plan have been reprofiled to reflect the lower expected initial realisable receipt based on recent phasing information and the remainder of the receipts have been pushed out to later years, however there remains a significant risk of a reduced or delayed receipt until negotiations conclude and the recently received S34A application is concluded. The Housing Revenue Account business plan is very sensitive to movements on this project				Kathleen Corbett, Director for Finance and Resources, Juliemma McLoughlin Director for Planning	Project Management Team meets fortnightly, quarterly monitoring report to Hammersmith and Fulham Business Board and Members, original scheme project risk register held by project manager (TK). CAPCO paid a fee of £15m on entering into the exclusivity agreement. Governance Structure included in the Conditional Land Sale Agreement £10m is refundable only in restricted circumstances and £5m is not refundable under any circumstances. Sensitivity modelling has been done on the Housing Revenue Account business plan for this and the other CFR risks (the JV review) and to date some rephasing of realisable receipts has been contained. There is however a significant risk if no receipts are received or if there is further rephasing required that this would render the Housing Revenue Account business plan unviable without either income from sales or significant cuts in the capital programme, scenario modelling on this was shared with the Cabinet member for Finance as part of the preparation of the Housing Revenue Account business plan agreed by Cabinet on 5th Jan 2015 and risk has continued to be highlighted in subsequent reports.						Project currently under review and subject to discussions with Capco. All existing controls, assurances and proposed actions will be subject to future review if current scheme changes.			Continue to monitor and review. As part of business plan modelling repeat the sensitivities run this year		February 2016	
LBHF	✓	RBKC		WCC		4	5	20	4	5	20	→	3	3	9	<u>Comments</u>		
5	Investing and maintaining our Council Homes				<u>Management controls</u>													
Insufficient funds available to invest in existing stock & properties to ensure maintained to provided safe and well maintained homes. Risk now heightened by Earls court / JV Housing Revenue Account CFR risks and recent Government Announcements imposing a 1% rent decrease for the next 4 years and by recent Government Announcements on Welfare reform				Stephen Kirrage, Director for Asset Management & Property Services	To continue to undertake a review of the existing Asset Management Strategy & long term financial investment plan - stock condition survey update has recently been completed and business plan updated, controls under risk 2 above need to be considered in conjunction with this						Embed finance more into the budget monitoring side of the planned repairs team, embed a Value For Money culture more into the repairs team. Work with residents on this to ensure we deliver both our statutory requirements, keep the fabric of the buildings in good condition, comply with Health and Safety requirements and deliver the service residents want based on what we can afford			February 2016				

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LBHF	✓	RBKC		WCC			5	5	25	3	5	15	→	3	3	9	<u>Comments</u>		
6	Consulting with our residents						Management controls												
Page 249	Consultation errors limiting income to £100 per leaseholder maximum for the duration of any contracts in excess of 12 months. Too many single point failures in the production of Service Charges.					Kathleen Corbett, Director for Finance and Resources	Check lists drafted for clients to complete and final sign off by Head of Service. Review each dispute on its own merit and a decision reached on a case by case basis regarding a response to the challenge. All change of names and addresses to be updated once a week to ensure all leaseholders are consulted at their preferred address. Instruct Bridge as and when necessary. Section 20 notice and letter have been redrafted to make them easier to understand (checked by legal) and a new improved version is now in use. Working group is being set up with leaseholders to improve the quality of estimates provided as part of the S20 process.												
							Counsel's opinion may be needed on any specific challenge to any notices issued prior to 2011. Increase resilience from within the business. Continue to work with Residents to increase clarity of current notices to reduce likelihood of future challenge by working in more customer focused approach with all our stakeholders and more continue to make all correspondence and estimates more user friendly												

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	Risk cause and context					Likelihood	Impact	Overall	Likelihood	Impact	Overall		Likelihood	Impact	Overall	Management comments on measures.	Planned action(s)	Date / in place					
LBHF	✓	RBKC		WCC			5	5	25	3	4	12	→	3	3	9	<u>Comments</u>						
7	Delivering new homes				<u>Management controls</u>																		
Page 250	Review of Joint Venture opportunity Sites with a view to delivering the Affordable homes as Social Housing in as far as possible rather than Low Cost Home Ownership. The current proposal is that this would be achieved by making the replacement for Edith Summerskill House into 80:20 social :affordable rented and funding this using the land receipt from Watermeadow Court (which would be 100% private sale). This will result in the loss of a £12.75m receipt currently included in the Housing Revenue Account business plan with a consequent increase in the Housing Revenue Account CFR. It will also result in the loss of the £7.5 m receipt currently assumed in the General Fund capital Programme from Watermeadow Court, the general fund capital programme would therefore also require revision. There is also a risk that the recent Government Announcements regarding high value vacant social housing may mean we end up having to sell immediately after development and a risk that the scheme may again need reviewing as a result of the government proposals on starter homes				Kathleen Corbett, Director for Finance and Resources, Juliemma Mcloughlin Director for Planning			Housing Revenue Account business plan now does not include the receipt for Edith Summerskill House. If Government announcement on selling vacant high value social rented homes put the programme at risk we could revert to shared ownership and need to watch the risk re starter homes												Continue to monitor and review. Model next years Housing Revenue Account business plan without this receipt, need to have certainty by Winter 2015 otherwise may need to rephrase the planned repairs programme for 2016/17. Continue to review legislative position on the sale of high value voids, ensure homes design can be used for either social rented or shared ownership			February 2016

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LBHF	✓	RBKC		WCC		5	5	25	4	5	20	→	3	3	9	<u>Comments</u>					
8	Delivering Quality Housing Service - Managed Services Impact					<u>Management controls</u>															
Page 251	Managed services implementation continues to impact significantly on both our service delivery to residents and on our ability to collect both rents and leaseholder service charges. We have had on-going issues with missing rent payments which makes it hard for us to firmly chase debt and take cases to court, it also makes it hard for our tenants to keep control of their finances. We have been unable to properly chase service charge arrears since March 2015 (and only very recently have been able to see balances on screen and raise invoices), we do not know the accuracy of the service charge balances but it is very possible that there are issues with payments similar to those we have had with rents. There is a very significant risk that bad debts will increase and a significant risk of pressure on PSL costs as we have lost landlords directly as a result of payment delays caused by Agresso. There is also a significant risk attached to staff recruitment as the new processes are causing significant delays and there is a risk that good candidates will be lost and agency staff costs incurred as posts remain vacant longer				Kathleen Corbett, Director for Finance and Resources, Hitesh Jolapara, Strategic Director for Financial Corporate Services			Project is managed by a team based in Westminster who have implemented the system across LBHF, RBKC and Westminster. Arrears letters for tenants are now reinstated as the missing payment files was believed be resolved however it has continued to reoccur. We are now replicating monitoring that BT should be doing to pick up and chasing missing payment files to ensure we can send out accurate arrears letters. We now have access to suspense account on Agresso and have found that there are a large number of bounced rent payments on it which we are working through resolving. For Leaseholder Service Charges we will need to carry out a similar exercise. We continue to feedback our payment, recruitment and other issues to the Westminster team and to seek local solutions as well as learning from each other										Continue with arrears letters for tenants and pushing Westminster project team to resolve the issues. For Leaseholders we will need to carry out a similar calling around exercise before the first Dunning letters are sent. For all other issues we need to continue to push and feedback to BT and the project team			February 2016

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SHARED SERVICES LIBRARIES																					
LBHF	✓	RBKC	✓	WCC	✓		4	4	16	4	4	16	→	1	1	1	<u>Comments</u>				
1	Failure to agree shared 3B shared approach to medium term financial challenge and continued development of 3B services						<u>Management controls</u>														
	(Libraries delivery models programme), 3B arrangements do not develop or are terminated					Mike Clarke Tri-borough Director of Libraries and Archives	Developing change proposals in an iterative and consulted way; programme management arrangements to be reviewed/support garnered; Member engagement							Review by Programme Board, Officer Steering Group			Monthly monitoring at Project Board.	April 2016			
LBHF	✓	RBKC	✓	WCC	✓		4	5	20	3	4	12	→	1	1	1	<u>Comments</u>				
2	Failure to deliver three year savings programmes						<u>Management controls</u>														
	Budgets not balanced, services overspend or under-achieve income					Mike Clarke Tri-borough Director of Libraries and Archives, Jonathan Ross, Finance Manager	Medium term planning through corporate processes and Senior Management Team. Monthly monitoring by service and finance							Monthly forecasting and management of pressures			Approval of proposals for yearly reductions; development of alternative models	April 2016			
LBHF	✓	RBKC	✓	WCC	✓		4	3	12	3	3	9	↑	2	2	4	<u>Comments</u>				
3	Increased risk to library staff from increasing Anti Social Behaviour issues in libraries						<u>Management controls</u>														
	Public order, customer and staff safety, risk to Council property					Mike Clarke Tri-borough Director of Libraries and Archives	Weekly updates at Senior Management Team. Additional security where required. On-line reporting facility for incidents (Workrite) notifying managers of recorded incidents, health and safety policies and workplace risk.							Enhanced liaison with police and community safety			April 2016				

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LBHF	✓	RBKC		WCC			4	5	20	3	4	12	→	2	2	4	<u>Comments</u>			
4	Roof leaks at Hammersmith library damaging refurbished interior and stock						<u>Management controls</u>													
	Reputational risk, operational costs					Tony Rice Tri-borough Operations Manager, Customer Services	Hammersmith library refurbishment project. Funding for roof works being sought through capital programme . Monitoring by Building and Property Services. Planning application submitted. Costed.						Programme to be agreed to remedy defects and carry out additional exterior works			Monthly monitoring at Senior Management Team.	April 2016			
* Risk 5 is a Sovereign RBKC risk																				
LBHF	✓	RBKC	✓	WCC	✓		4	4	16	4	4	16	→	2	2	4	<u>Comments</u>			
	Manage income generating decline (libraries)						<u>Management controls</u>													
	Financial risk					Mike Clarke Tri-borough Director of Libraries and Archives, Jonathan Ross, Finance Manager	Careful management of resources including recruitment drag, supplies and services efficiencies etc. However this remains a major concern with no 'magic bullet' solution						Monthly forecasting and medium term financial planning			Explore other sources of income. Rightsize as part of alternative models of delivery	April 2016			
LBHF		RBKC	✓	WCC			3	4	12	3	4	12	→	2	2	4	<u>Comments</u>			
7	Planned North Kensington library becomes challenging/contested						<u>Management controls</u>													
	(Isaac Newton programme)					Chris Lloyd, Community Development Manager	Working with Property Services and keeping Cabinet Member informed. Robust engagement programme to be developed with Communications.						Monthly at policy board. Quarterly at corporate property programme board			Ensure community and Ward Member briefings and engagement are timely and appropriate	April 2016			

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LBHF	✓	RBKC		WCC			3	4	12	3	4	12	➔	2	2	4	<u>Comments</u>			
8	Access to catalogue will fall over (Computer Aided Library Management not supported or upgraded)						<u>Management controls</u>													
	Access to catalogue will fall over (Mary Enright, Tri-borough Reference, Information and Archives Manager, Libraries & Culture Director's Office	Data exported to Excel April14							Explore Sirsi potential			April 2016			
Page 254	LBHF	✓	RBKC	✓	WCC	✓		4	4	16	3	4	12	➔	2	2	4	<u>Comments</u>		
	Lack of reliable financial information due to the implementation of Agresso leads to risk of inaccurate decision making an poor financial performance						<u>Management controls</u>													
	Financial risk					Kim Marshall, Strategic Finance Manager - Tri-borough Libraries, Jonathan Ross, Finance Manager	Financial monitoring and review							Monthly financial monitoring			Analysis of areas not effectively covered by current financial processes	April 2016		
*Risk 10 is a WCC Sovereign risk																				

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LBHF	✓	RBKC		WCC		4	4	16			0	→	2	2	4	Comments		
11	Failure to deliver solution for borough archives storage					Management controls												
	Reputational risk, and operational costs.				Mary Enright, Tri-borough Reference, Information and Archives Manager.	Position reviewed monthly at Policy Board.						Gain agreement for proposed solution with Cabinet Member. Keep consultative group informed and involved			Further work on proposed solution to ensure successful delivery		April 2016	
* Risks 12 - 14 are WCC Sovereign risks																		

Key to Risk Rating			
Score	16-25		RED - High risk - immediate management action required.
Score	11-15		AMBER - Medium risk, review controls.
Score	1-10		GREEN- Low risk, monitor and if the risk escalates check controls.

The Implications of a Leave Vote in the European Referendum on Treasury & Pensions Activities

Introduction

This note considers the implications of “Leave” vote following the June referendum on LBHF treasury and pension activities and possible actions in anticipation of the vote.

Current Portfolios

Treasury

The LBHF debt portfolio is £232 million. All debt is sterling fixed rate from the PWLB. 71% of debt matures in more than ten years, with only 5% (£12 million) within 12 months.

The investment portfolio is currently £299 million and invested with a relatively small number of counterparties, being UK Government and controlled entities, investment funds and UK and overseas banks. All balances are sterling, relatively short term (maturing within 12 months).

Pension Fund

The pension fund holds assets of £844 million (December 2015). 58% of the assets are equities (equally split UK and Overseas), with 26% in global bonds and credit (majority hedged into sterling), 6% UK ILG, 8% UK real property and 2% cash. Approximately 30-40% of the portfolio is unhedged non sterling currency exposures.

Potential Impact of Leave Vote

The implications of a Leave vote or the belief that the vote is moving towards the leave campaign are hotly contested. It has to be remembered that the UK’s relationship with the EU will not alter immediately after a vote. It will take at least two years and possibly more to negotiate the terms of the UK’s new relationship with the EU. However, markets will react any try and anticipate the outcome of exit negotiations.

Capital Economics have commented “Although we think that the UK will do well in the long run whether inside or outside of the EU, there is clearly potential for a disruptive short term impact from uncertainty that would be seen immediately after a “leave” vote. But we doubt that this would be as bad as many fear”.

The short term implications are perhaps clearer than the long term impact. Both are considered below:

Short Term

The general consensus is that in the short term financial market impact leading up and after a no vote will be:

Sterling depreciation

Falls in the value of sterling denominated assets e.g. equities, bonds and property.

Greater volatility in financial markets

The Bank of England attempting to stabilise financial markets through monetary policy; easing liquidity and changes in interest rates.

Possible downgrading of the Government's credit rating and widening of credit spreads.

Morgan Stanley has predicted a 5% fall in sterling in the immediate aftermath of a vote for Brexit, with weakness persisting into the indefinite future. Citigroup and Goldman Sachs both forecast a 15% to 20% fall. Much of that will be priced in if expectations are of a leave vote.

Shares in UK companies whose fortunes are most linked to the UK economy will suffer the most as markets take stock of the longer term implication on UK growth.

Larger companies in the FTSE 100 are tipped to cope better with the uncertainty generated by the referendum because 70pc of their earnings come from overseas. Exporters should benefit and possibly also UK based businesses with imports being less competitive, although the cost of production will increase.

Long Term

As mentioned above, there is much less certainty of the longer term implications. Much will depend on the agreement the UK strikes with the EU and its trading relationships with the RoW. Differing opinion include:

Will the UK economy grow faster or slower – No agreement. Most converge on the implications being marginal and perhaps limited to the financial services sector.

Although [Brexit] could have a small impact on growth and job creation, it's more likely to have a small overall beneficial effect because of lower regulation, more freedom to make trade deals and savings for the government.

Will overseas banks relocate out of the UK – Some have indicated that they will, but others see London as remaining at the heart of the European financial service sector.

Leave:

Talk of capital flight is nonsense. London will remain a leading financial centre outside the EU and banks will still want to be headquartered in Britain due to low tax rates.

Stay:

Banks will flee the UK and the City of London collapse if Britain votes for exit, because the trading advantages of being inside the EU help boost banks' profits.

Trade in general:

"If Britain withdraws, but follows Norway and remains within the European Economic Area (EEA), the free trade area and the Single Market, there won't be any real change to the way the economy works and interacts with our main trading partner. Changes may take place longer-term as the UK no longer adopts new legislation, but the effects of this cannot yet be

determined.”[Fidelity]

Will interest rates be higher or lower – a lower sterling may boost inflation requiring rates to increase, however slower growth or market stabilisation may require rates to fall.

The IMF has commented if the referendum were to decide in favour of leaving the EU the IMF would expect negotiations on post-exit arrangements to be protracted, which it warned "could weigh heavily on confidence and investment, all the while increasing financial market volatility".

It also believes a UK exit from the EU would "disrupt and reduce mutual trade and financial flows" and restrict benefits from economic co-operation and integration, such as those resulting from economies of scale. The emphasis is on global implications.

However, the Fund said that UK domestic demand, boosted by lower energy prices and a buoyant property market, would help to offset the impact on UK growth ahead of the EU referendum.

Implications for LBHF Treasury and Pension's Portfolios

Treasury

There will be no significant short term impact on the debt portfolio, which is all fixed rate and with minimal short term maturities. The investment portfolio will cover redemptions for many years to come. Should the UK Government credit rating fall, the cost of Government and hence local authority borrowing may eventually increase.

When considering investment returns, whenever there is uncertainty markets seek safety. Yields on short term UK government debt may fall while banks and corporates may have to offer higher returns. Depending on which way interest rates move, expected returns could increase or decrease. No potential counterparties will leave the market and if overseas investors seek less exposure to sterling, the returns from sterling investing could increase.

Proposed Actions

The safety course is to invest with the most secure counterparties, including UK government, high quality overseas banks and diversified money market funds until clarity returns. The portfolio will continue to emphasis security. Should attractive yields emerge for longer term maturities, these should be considered. This is very much in line with current policy.

Pensions

Investments

As noted above, the pension fund investments include global equities and bonds and UK real estate. The most obvious impact is that those assets invested outside of the UK will benefit from sterling's continued depreciation. However, sterling has fallen recently and a remain vote could see a sterling recovery. Similarly, larger UK companies with significant non UK operations or net exporters will also benefit from a fall in sterling.

The schemes fund managers will already be considering the outcome of the vote and positioning their portfolio accordingly.

The assets that might suffer include credit, where uncertainty will impact on spreads and real estate, where overseas buyers have recently been one of the factors behind the property recovery, representing 50% of commercial property purchases [Capital Economics]. The fund's bond mandates are global and the managers are not required to hold UK securities.

Potential Actions

The LBHF fund is a long term investor and therefore short term volatility has little impact, in fact it can represent a buying opportunity.


With the longer term impact of Brexit so unclear, any action is as likely to lose value as gain. Fund managers will already be positioning their portfolio to take advantage / protect against market moves. Any negative impact on UK stock or property markets is likely to be offset by gains on non-sterling denominated assets. Trying to sell illiquid assets such as property in the short term will incur substantial transaction costs. Thus no immediate action is recommended.

Conclusion

The consensus from economists is that "the UK's long term prospects do not hinge on the Brexit question. Admittedly, the short-term impact would certainly be negative." [Capital Economics]. Markets will react as they anticipate the vote and sterling has already suffered. With negotiation on new agreements with the EU likely to take years, change will be gradual.

As always a focus on high quality and diversification is critical. Treasury investments need to emphasize security of capital, while pension investments can look through short term volatility and focus on the relatively unchanged long term prospects.

Agenda Item 10

	London Borough of Hammersmith & Fulham (AUDIT, PENSIONS AND STANDARDS COMMITTEE) 15 June 2016
TITLE OF REPORT	
Internal Audit Quarterly report for the period 1 January to 31 March 2016	
Open Report	
For Information	
Key Decision: No	
Wards Affected: None	
Accountable Director: Moyra McGarvey – Director for Audit, Fraud, Risk and Insurance	
Report Author: Geoff Drake – Senior Audit Manager	Contact Details: Tel: 0208 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 January to 31 March 2016 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 January to 31 March 2016.

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 17 audit reports were finalised in the fourth quarter of 2015/2016 from 1 January 2016 to 31 March 2016. This includes 2 shared services audits. In addition, one follow up report, and one management letter were issued.

5.1.3. A summary of each of the limited and nil assurance reports is provided at Appendix D. Four limited assurance reports were issued in this period:

5.1.3.1. The review of Garages identified 1 high, 9 medium and 2 low priority recommendations. 9 of the 12 recommendations have passed their due date for implementation and all have been confirmed as implemented.

5.1.3.2. The review of Managed Services Programme Implementation Planning identified 5 high, and 4 medium priority recommendations. As implementation had largely been completed at the time the final report was issued, findings have been raised in this report for information only in order to highlight where controls over implementation planning could have been improved, and to provide recommendations as to areas where different approaches could be taken in undertaking similar programmes in future.

5.1.3.3. The Managed Services High Level Review of New Systems and Processes identified 4 high, 3 medium and 1 low priority recommendations. All of the recommendation due at the time of writing have been reported as implemented.

- 5.1.3.4. The review of Section 75 Agreements - Mental Health identified 3 high, and 2 medium priority recommendations. All five recommendations were due for implementation at the time of writing. All had been confirmed as in progress but not yet fully implemented.
- 5.1.4. One nil assurance report was issued in this period. The review of Brackenbury Primary School identified 4 high, 12 medium and 2 low priority recommendations. Five recommendations were due for implementation at the time of writing but none have been confirmed as implemented. A follow up visit has been scheduled in quarter 1 of 2016/17.
- 5.1.5. One management letter was issued in the period on Retention of IT Contract Documentation. 2 recommendations were raised, 1 high priority and 1 medium priority.
- 5.1.6. One follow up was undertaken in the period on ASC Risk Management. 4 of the 7 recommendations had been fully implemented, 2 had been partly implemented, and 1 not implemented. The results of our follow up can be found in Appendix A.
- 5.1.7. The Internal Audit department works with key departmental contacts to monitor the number of outstanding draft reports and the implementation of agreed recommendations.
- 5.1.8. 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 no outstanding draft reports at the time of writing.
- 5.1.9. There are now 25 audit recommendations where the target date for the implementation of the recommendation has passed and they have either not been fully implemented or the auditee has not provided any information on their progress in implementing the recommendation. This compares to 11 outstanding as reported at the end of the previous quarter and represents a deterioration in the position. We continue to work with departments and HFBP to reduce the number of outstanding issues.
- 5.1.10. The breakdown of the 25 outstanding recommendations between departments are as follows:
- Adult Social Care - 4
 - Children's Services (Non Schools) – 6
 - Schools - 3
 - Corporate Services – 7
 - Transport and Technical Services - 5

5.1.11. Six of the recommendations listed are over 6 months past the target date for implementation as at the date of the Committee meeting. 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.

5.1.12. The table below shows the number of audit recommendations raised each year that have been reported as implemented. This helps to demonstrate the role of Internal Audit as an agent of change for the council.

Year	Number of recommendations due	<i>Number of recommendations implemented</i>
2013/14	248	247
2014/15	202	194
2015/16	99	83

5.2. Internal Audit Service

5.2.1. Part of the CIA's function is to monitor the quality of Mazars' work. Formal monthly meetings are held with the Mazars 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 quarter 4 of the 2015/16 financial year.

Performance Indicators 2015/16

Ref	Performance Indicator	Target	Pro rata target	At year end	Variance	Comments
1	% of deliverables completed	95%	95%	93%	-2%	67 deliverables issued out of a total plan of 72 (excluding exceptions)
2	% of planned audit days delivered	95%	95%	96%	+1%	795 days delivered out of a total plan of 826 days
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	98%	+3%	41 out of 43 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%	81%	-14%	42 out of 52 draft reports issued within 10 working days of exit meeting. Average time to issue draft report was 6 days.
5	% of Final reports issued within 5 working days of the management responses	95%	95%	100%	+5%	32 out of 32 final reports issued within 5 working days.

5.3. Audit Planning

5.3.1. Amendments to the 2015/16 year Internal Audit plan are shown at Appendix C.

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 January to 31 March 2016
Appendix B	Summary of Outstanding Audit Reports
Appendix C	Amendments to 2015/16 audit plan
Appendix D	Summary of Limited Assurance Reports
Appendix E	Outstanding Recommendations

APPENDIX A

Audit reports Issued 1 January to 31 March 2016

We have finalised a total of 17 audit reports for the period of 1 January to 31 March 2016. This includes 2 Shared Services audits. 1 follow up was completed in the period and 1 management letter was issued.

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	2015/16	Garages	Kathleen Corbett	Limited
2	2015/16	Askham Contact Centre	Steve Miley	Satisfactory
3	2015/16	MSP Implementation Planning	Maria Benbow	Limited
4	2015/16	Section 75 Agreements – Mental Health	Stella Baillie	Limited
5	2015/16	Section 75 Agreements - CCGs	Rachel Wigley	Satisfactory
6	2015/16	IDOX Document Management System (DMS)	Mahmood Siddiqi	Satisfactory
7	2015/16	Brackenbury Primary School	Andrew Christie	Nil
8	2015/16	Housing Strategy	Mike England	Satisfactory
9	2015/16	St Stephen's Primary School	Andrew Christie	Satisfactory
10	2015/16	Concessionary Fares	Hitesh Jolapara	Satisfactory
11	2015/16	Avonmore Primary School	Andrew Christie	Satisfactory
12	2015/16	Customer Journey Programme Management	Rachel Wigley	Substantial
13	2015/16	Community Independence Service – Project Management	Rachel Wigley	Substantial
14	2015/16	HRA Budget Setting and Monitoring	Kathleen Corbett	Satisfactory
15	2015/16	MSP - High Level Review of New Systems and Processes	Maria Benbow	Limited
16	2015/16	Software Licensing (SS)	Ed Garcez	Satisfactory
17	2015/16	Cyber Security (SS)	Ed Garcez	Satisfactory

* Undertaken as part of the RBKC/WCC internal audit plan

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
18	2015/16	Retention of IT Contract Documentation	Ed Garcez

Follow ups

No.	Audit Plan	Audit Title	Total	Implemented	Partly Implemented	Not Implemented
19	2015/16	ASC Risk Management	7	4	2	1

Internal Audit reports in issue more than two weeks as at 31 March 2015

There are no outstanding reports at the time of writing.

Amendments to 2015/16 Audit Plan

	Department	Audit Name	Nature of Amendment	Reason for amendment
1	Corporate	Trading Accounts	Added	Adding following request
2	Corporate	MTFS Savings	Added	Added from contingency
3	Housing Services	Homelessness	Added	Brought Forward from 2016/17
4	Corporate	Managed Services – Interfaces	Added	Added from contingency

Summary of Limited Assurance Reports

Ref	Audit and Scope	Details	Assurance Risk /
1	<p>Garages</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Policies, Procedures and Fee Setting • Applications and Allocations of Garages Procurement • Identification of Non-Compliance with License Conditions Income • Maintenance and Repairs • Void Clearance • Income Collection • Debt Recovery, Monitoring and Repossession • Management Information 	<p>There are approximately 1,200 garages managed by the Housing and Regeneration Department. Most garages are situated on estates with the remainder on streets and small blocks. Residents of estates have priority for garages and where demand is high the Council maintains a waiting list. However, any empty garage is available to rent to any resident in the Borough.</p> <p>One High priority, Nine Medium priority, and Two Low priority recommendations have been made. The key recommendations were as follows:</p> <ul style="list-style-type: none"> • An accurate income interface between iWorld and Agresso should be implemented to ensure all payments and arrears are correctly recorded. • The following documentation should be retained on file when a license is issued: Proof the tenant is the registered keeper of the vehicle which will be kept in the garage. i.e. vehicle registration document; a copy of the insurance certificate, and proof of ID. • A detailed programme of garage maintenance works should be formulated. • A periodic check of suspense account items and activity should be undertaken by a second more senior officer. • The draft re-charging policy should be approved and implemented to allow the garages team to charge former tenants a clearance charge if they have not cleared the garage to a suitable standard. • Aged debt reports should be produced to help prioritise the debt recovery process. • Budget monitoring responsibilities should be formally delegated to ensure periodic monitoring is undertaken and evidence of this is readily available. Consideration should be given to whether the Garages team should monitor income from garages. • Garage estates should be periodically assessed to make sure that the sites are being put to best use (for example, that empty or unpopular sites are considered for alternative use). <p>All recommendations were agreed by management for implementation by June 2016. At the time of the report being issued (January 2016) a review of Garages was in progress.</p>	Limited

Ref	Audit and Scope	Details	Assurance / Risk
2	<p>Managed Services Programme – Implementation Planning</p> <p>The audit focussed on the planning and preparations in place running up to the go-live date, including the business transformations required for implementation of Managed Services, the supporting and monitoring functions, the training and support in place for Council staff both pre- and post-implementation, and the plans for post go-live stages of the implementation such as service retirement and further upgrades.</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Strategy and Plans • Service and Business Readiness • Training and Support • Post Go Live 	<p>As part of the Shared Services initiative, a programme of managed services has been implemented across the three boroughs – the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea, and Westminster City Council. Managed Services, which are provided by BT, is a critical programme as part of the overall convergence of services across the three Boroughs, in order to realise the efficiency and cost benefits of pooling the Council's services.</p> <p>This internal audit started on 1st March 2015, in preparation for the system 'go live'. The audit was originally intended to be completed earlier in the year; however, completion of the audit was delayed in order to provide project staff with additional time to provide the documentation requested. This was required due to ongoing delays, issues, and staffing pressures being experienced around the implementation of the programme. The volume of documentation received, the lack of guidance available (due to programme staffing pressures and changes in key personnel) and delays in receiving some of the information requested also delayed completion of the fieldwork.</p> <p>Five High priority and Four Medium priority recommendations have been made as follows:</p> <ul style="list-style-type: none"> • All implementation planning documentation should be completed and in place prior to the start of the transition period, in order to provide staff involved in the programme with necessary timeframes, operational plans and other information required to complete the transition process. • The predicted durations of the tasks identified as necessary to complete the programme plan, and the resources necessary to complete the tasks, should be based upon documented evidence and rationales should be recorded for future reference. Consideration should be added to including an element of contingency time where an accurate estimate of timescales and resource requirements cannot be determined in advance. • A sufficiently detailed fallback or contingency plan should be created for future programmes, which details the arrangements, plans, costs, resources and other implications to be realised in the event that the systems are not able to go live as per the agreed dates. • Risks should be recorded fully to ensure that the implications of the risks identified are understood, have been accurately assessed and accountability assigned. • The role of Programme Assurance Manager should be assigned to a dedicated officer with no responsibility or remit for the delivery of the programme or any aspects of workstreams other than Programme Assurance, in order to prevent conflicts of interest arising and to dedicate resources to assurance work. • The go/no-go checklist should be agreed and finalised before the Programme has entered the 	Limited

		<p>Transition phase.</p> <ul style="list-style-type: none"> • Reports should be developed to identify from the training records maintained which officers have not received training, in order to target them for contact to determine their training needs and their familiarity with the system. • User activity monitoring processes and the reporting lines should be identified and plans developed as part of the implementation planning. • A decommissioning plan should be completed and documented, which sets out how and when the existing systems are to be removed from service. <p>As implementation has largely been completed and the management response to the report was delayed until the new Assurance Manager was in post, findings were raised in this report for information only in order to highlight where controls over implementation planning could have been improved, and to provide recommendations as to areas where different approaches could be taken in undertaking similar programmes in future.</p>	
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Ref	Audit and Scope	Details	Assurance / Risk
3	<p>Managed Services Programme – High Level Review of New Systems and Processes</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Set up of new users on Agresso • Management of Cost Centres and the Chart of Accounts • Accounting Transactions and Manual Adjustments • Purchase orders, invoices and payments • Raising Invoices and Income Collection • Credit Notes and Refunds • Debt Recovery and Write Off • Set up of new starters • Amendment of HR and payroll data • Leavers • Overtime, Expenses and Additional Payments • Budget Management • Bank and Cash Reconciliations 	<p>The Managed Service has been designed to standardise operations and reduce costs, and provide a standard system irrespective of the Council or the service provided. This audit was undertaken as a high-level review of the new systems and processes that were introduced as a result of the implementation of the new financial and human resources system.</p> <p>The system chosen was Agresso Business World (ABW), which provides common transactional HR, Finance and Procurement services. As a Managed Service, the provider, BT, is responsible for managing and maintaining the system and related services, including the Finance, HR, and Payroll functions. Responsibility is shared between the three Councils and BT for different stages and areas of the new systems and processes in place, and this audit has covered both those controls which are operated by staff employed by the Shared Services and, as far as possible, those which are the responsibility of BT.</p> <p>Four High priority, Three Medium priority, and One Low priority recommendations have been made. The key recommendations are as follows:</p> <ul style="list-style-type: none"> • The authorisation process for adding or amending access and authorisations should be formalised and built into the workflow on ABW or processed through ServiceNow. Monitoring procedures to ensure only valid changes are made to access and authorisations should also be developed. • A report should be created to identify where roles are allocated directly to resources, in order to confirm that inappropriate access rights have not been granted. • System controls to ensure that imbalanced and cross-entity journals cannot be entered, submitted or approved should be implemented. • The process for requesting, approving changes to supplier details should be formalised and built into the workflow on ABW. • A detailed plan should be developed showing which amendment tables should be activated for the purposes of logging amendments to the database records in the Agresso Business World system. • The suite of exception and monitoring reports should be developed and run and monitored on a periodic basis. <p>Recommendations were accepted by management, and are due for implementation by July 2016.</p>	Limited

Ref	Audit and Scope	Details	Assurance / Risk
4	<p>Section 75 Agreements - Mental Health</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Section 75 Agreement and Governance • Expenditure • Budget Monitoring • Performance Management 	<p>Section 75 of the National Health Service Act 2006 (formerly Section 31 of the Health Act 1999) and the Regulations provide powers for local authorities and NHS bodies to set up joint working arrangements. Partners enter into an agreement in exercise of the powers in Section 75 of the Act and the Regulations in order to establish a framework for the delegation of management responsibility of the services to be provided to eligible people within the Council's administrative area in accordance with the terms of the agreement. The NHS Trust acts as the Host Partner in accordance with the Regulations.</p> <p>Section 75 agreements for adult mental health services have been made between LBHF and West London Mental Health NHS Trust.</p> <p>Three High priority, and Two Medium priority recommendations have been made. The key recommendations are as follows:</p> <ul style="list-style-type: none"> • LBHF and WLMHT should ensure the Section 75 agreement is finalised and signed. Appropriate legal consultation should be made in consideration practical ways of facilitating the finalisation and signing of the agreement. • LBHF and WLMHT should ensure that Section 75 Partnership Board meetings are held on a quarterly basis as indicated in the draft Section 75 agreement. LBHF and WLMHT should also ensure that the necessary financial information is reported at those meetings. • LBHF, RBKC, WCC and their NHS Trust partners should ensure that final budgets are confirmed by the Section 75 Partnership Boards before the start of the new Financial Year to which they relate (by 28 February in the case of RBKC and WCC) and are included in a Revised Annual Finance Agreement in the form as described in Schedule 5 of the Section 75 agreements. • Each borough should ensure that comprehensive and accurate budget versus actual expenditure reports are reported at each Partnership Board meeting. • LBHF, RBKC, WCC and their NHS Trust partners should ensure that all performance indicators are reported on at Partnership Board meetings. <p>Recommendations were accepted by management, and are due for implementation by March 2016.</p>	Limited

Ref	Audit and Scope	Details	Assurance / Risk
5	<p>Brackenbury Primary School</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Governance and Leadership • Financial Management • Procurement • Staff Expenses & Petty Cash • Income • Payroll • Head Teachers Pay • Assets & Inventory • Leasing • Unofficial Funds 	<p>The London Borough of Hammersmith and Fulham's standard schools audits are carried out using an established probity audit programme. Audits are currently undertaken on a three year cycle unless issues dictate a more frequent review. The programme is designed to audit the main areas of governance and financial control. The programme's standards are based on legislation, the Scheme for Financing Schools and accepted best practice.</p> <p>4 High priority, 12 Medium priority, and 2 Low priority recommendations have been made. The key recommendations were as follows:</p> <ul style="list-style-type: none"> • The following policies and documents should be subject to review and approval by full the Governing Body on an annual basis: School Finance Policy; Staffing structure; and Pay Policy. • The School Financial Value Standard (SFVS) self-assessment should be reassessed in light of the audit findings and, where appropriate, appropriate remedial action taken. • Where costs relating to transactions can be identified in advance, a purchase order should be raised and authorised prior to placing the order with the supplier. • Deliveries of goods and services should be checked against the invoice and original order, and evidenced as such by the officer checking the quality and quantity of the goods/services, before any invoice is paid. Where possible, the officer checking the goods/services received should be independent of the person responsible for the administration of orders and payments. • To demonstrate segregation of duties, more than one person should evidence being involved in placing orders, goods receipting and authorising invoices. • Quotations and Tenders should be obtained and retained for all high value purchases in accordance with the requirements of the School's Finance Policy. • The School should obtain copies of all contracts entered into by the School. • Before paying invoices to self-employed individuals, the School should confirm the employment status of the person by completing a tax questionnaire. If there is any doubt, the person should be paid through the payroll. • The School should not accept personal expense reclaims for staff members who are not employees of the School. • The School should ensure that petty cash (as well as other School funds) are used for educational purposes and the benefit of pupils. • The School should ensure that adequate records are maintained for all income collected showing a clear trail between cash collection and banking. The School's income records should be independently checked by a more senior officer on a regular basis prior to banking. • The School should formulate an action plan regarding collection of the School meal income 	Nil

		<p>arrears in order to reduce the level of arrears. Performance against this plan should be monitored to gain assurance that the level of arrears is reducing.</p> <ul style="list-style-type: none"> • The School should ensure the leases are approved by the Governing Body or other delegated Committee where appropriate. • The School should include and maintain all relevant details of assets held at the School including serial numbers, actual or estimated values of the assets, on loan/disposed of items and date of acquisition of items where appropriate on the asset register. The School should update the asset register to ensure all items can be uniquely identified, and that the correct printer names and locations are stated on the register. <p>Recommendations were accepted by management, and are due for implementation by April 2016. A further audit is being scheduled for the 2016/17 financial year.</p>	
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APPENDIX E

Summary of Outstanding Recommendations

This is a schedule of all recommendations where the target date for implementation has passed and either the recommendation has not been fully implemented, or the auditee has failed to provide information on whether it has been implemented.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
1	2013/14	Adult Social Care	Home Care	Satisfactory	<p>Initial reviews should take place within six weeks of the care first being provided and annual reviews should be undertaken thereafter.</p> <p>Management should identify the reasons for not undertaking the initial reviews promptly and take corrective action where necessary. Where reviews cannot be undertaken at the required time as this is not convenient for the service user, this should be documented.</p>	1	01/07/2015	Stella Baillie, Director of Integrated Care	<p>Implementation is ongoing and will be completed shortly.</p> <p>Moving forward, the current reorganisation will involve a separate reviewing team within the complex team. Whilst it remains the case that everyone should have an annual statutory review we are reviewing the type and frequency of reviews - and that this should be based on assessed risk factors. It will also enable reviews to be paced throughout 12 months rather than being bunched in the final quarter of the year. We are also reviewing the Fwi pathway and the amount of documentation that needs to be completed for reviews – and that this should only be proportional. We are aiming to change practice via Innovation Sites that practice “meaningful conversations”, really putting the</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
									customer at the centre of what we do . This also will have implications for the documentation we use.
2	2015/16	Adult Social Care	Section 75 Agreements - Mental Health	Limited	<p>LBHF and WLMHT should ensure the Section 75 agreement is finalised and signed.</p> <p>If necessary, the partners should consider practical ways of facilitating the finalisation and signing of the agreement. For example, certain schedules and appendices that contain detail that is likely to change over the life of the agreement could be included in a separate document that is reviewed and agreed annually by the partners. Such schedules and appendices could include: Schedule 1, Appendix 1 Performance indicators; Schedule 4, section 1 Partnership Staffing; Schedule 4, Appendix 1 Service Line Management Structure; and Schedule 5, Appendix 1 Staff Pay Budgets.</p> <p>The benefit of a Section 75 agreement written in this way is that it is less likely to quickly become out of date due to structural, financial and programmatic changes.</p> <p>Appropriate legal consultation should be made in consideration practical ways of facilitating the finalisation and signing of the agreement.</p>	1	31/03/2016	Stella Baillie, Director of Integrated Care	<p>Implementation is ongoing and will be completed shortly.</p> <p>The plan is to refresh all three section 75 agreements taking Audit's advice to develop it in such a way that the schedules can be updated on an annual basis.</p> <p>Evidence to be sent.</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
3	2015/16	Adult Social Care	Section 75 Agreements - Mental Health	Limited	LBHF, RBKC, WCC and their NHS Trust partners should ensure that final budgets are confirmed by the Section 75 Partnership Boards before the start of the new Financial Year to which they relate (by 28 February in the case of RBKC and WCC) and are included in a Revised Annual Finance Agreement in the form as described in Schedule 5 of the Section 75 agreements.	1	31/03/2016	Stella Baillie, Director of Integrated Care	Implementation is ongoing and will be completed shortly. This is being agreed at sub-group meetings for all three boroughs in May 2016. Evidence to be sent once agreed.
4	2015/16	Adult Social Care	Section 75 Agreements - Mental Health	Limited	<p>LBHF, RBKC, WCC and their NHS Trust partners should ensure that all performance indicators are reported on at Partnership Board meetings.</p> <p>LBHF, RBKC, WCC and their NHS Trust partners may wish to consider whether it would be appropriate to rationalise the number of performance indicators that stipulated in the Section 75 agreements for monitoring by the Partnership Board. Any change should be formally agreed.</p> <p>In the case of LBHF and WLMHT, the performance reports presented at Partnership Board meetings should include an analysis and explanation of the variances against performance targets.</p>	2	31/03/2016	Stella Baillie, Director of Integrated Care	<p>Both the Trust's and the LA have reviewed the KPIs in the S75 agreements with a view to update them. The revised measures will be formally presented and agreed at the next S75 meeting (June 2016) and then appended to the S75 agreement. All KPI monitoring from that point forward will be on the revised set.</p> <p>Evidence of the above will be available after the Q1 meetings have taken place. Outstanding - should be completed by July 2016.</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
5	2014/15	Children's Services	3BM Service Management	Satisfactory	<p>An exit strategy should be developed to, ensure continuity of service in the event of the contractual relationship ending. This should include consideration of:</p> <ul style="list-style-type: none"> • Continuing Service Requirements; • Data Security and Privacy; • Knowledge and Documentation Transfer; • Costs; and • People <p>In addition, business continuity arrangements in the event of supplier failure should be defined.</p>	2	31/03/2016	Dave McNamara, Director for Finance and Resources (CHS)	The recommendation is a standard approach for the development of an exit strategy. The services that 3BM provide are strategic support to the council, project management of commissioned projects and estate management. There are specific responses to these but not consolidated into a strategy. The contract will be subject of an extension during 201/17 and these issues will be addressed then
6	2014/15	Children's Services	3BM Service Management	Satisfactory	<p>Monitoring of contract performance should be undertaken on a monthly or quarterly basis. This should include monitoring against the table of performance standards and deductions within the contract. An annual review meeting should be held in order to discuss the contract, past performance, achievements and issues, and future priorities, objectives and challenges. Where requirements are not being met, an action plan should be put in place and monitored against. Deductions should be made from the contract payment where required.</p> <p>The Council should seek independent validation of the performance information and key contractual requirements provided. A further recommendation has been included in relation to the holding regular Partnership Board meetings.</p>	2	31/03/2016	Dave McNamara, Director for Finance and Resources (CHS)	Monitoring meetings will be amended as requested to included performance against standards but will need to retain focus on critical business activities. Partnership Board has been reinstated.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
7	2014/15	Children's Services	3BM Service Management	Satisfactory	Scheduled repayments, including any interest payments should be monitored and recorded as and when received. 3BM should be advised that schools should not be invoiced in advance of services being provided. Where this is necessary, it should be kept to a minimum (such as monthly in advance).	2	31/03/2016	Dave McNamara, Director for Finance and Resources (CHS)	Repayments are to be monitored. However it is not agreed that 3BM should change their business model that was agreed with schools at the outset. As a fledgling organisation, 3BM do not have the resources to finance their expenditure without payments in advance. This was acknowledged when the Councils supported the establishment of the social enterprise
8	2014/15	Children's Services	3BM Service Management	Satisfactory	Partnership Board meetings should be held on at least a quarterly basis as per the terms of reference in place. A Red/Amber/Green dashboard report of performance against the agreed standards should be presented to each meeting for discussion as agreed at the January 2014 meeting. Alternatively, the Terms of Reference in place for the Partnership Board should be updated to state that meetings should be held less frequently, with additional meetings convened as necessary.	2	31/03/2016	Dave McNamara, Director for Finance and Resources (CHS)	No update received.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
9	2014/15	Children's Services	Framework Application (Children's)	Satisfactory	The Council should work with all relevant partners to agree and implement an appropriate Disaster Recovery Test plan, with all lessons learned being communicated and updated into the plans.	2	31/01/2016	Dave McNamara, Director for Finance and Resources (CHS)	We had scheduled a DR Test with Corelogic in August 2015 but due to connectivity issues this had to be abandoned. The person dealing with this left soon after and we are waiting for a date when we can reschedule. They have recently appointed a new Infrastructure Manager and hope to reschedule later this month. Once we have a successful test, we will schedule this in annually.
10	2015/16	Children's Services	All Saints CE Primary School	Satisfactory	The School Development Plan and Staffing Structure should be subject to review and approval by the Governing Body on an annual basis.	2	31/12/2015	Dave McNamara, Director for Finance and Resources (CHS)	No update received.
11	2015/16	Children's Services	All Saints CE Primary School	Satisfactory	The Governing Body should discuss the options available to the School before entering contracts. The School should obtain quotes and tenders as per the Schools financial policy before entering a contract with a supplier or document the justification for not doing so.	2	31/12/2015	Dave McNamara, Director for Finance and Resources (CHS)	No update received.
12	2015/16	Children's Services	Askham Contact Centre	Satisfactory	Management should investigate if any interim income monitoring measures can be sourced to provide some assurance over the current income due and paid.	2	31/03/2016	Steve Miley, Director of Family Services	No update received.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
13	2015/16	Children's Services	Avonmore Primary School	Satisfactory	The School should include and maintain all relevant details of assets held at the School including serial numbers, actual or estimated values of the assets, on loan/disposed of items and date of acquisition of items where appropriate on the asset register.	2	31/01/2016	Dave McNamara, Director for Finance and Resources (CHS)	No update received.
14	2014/15	Corporate Services	Mobile Device Security	Satisfactory	Management should draft, agree and communicate a specific IT security policy that covers mobile device usage for Tri-Borough work. All users using mobile devices, whether issued by the Tri-Borough or not, should be required to formally sign off their acceptance of relevant policies before being issued with a Tri-Borough issued mobile device or before having their own device configured for Tri-Borough use. The development of relevant policies should also be supported by appropriate user training.	2	30/04/2015	Ed Garcez, Chief Information Officer	<p>The IM team are working alongside the Mobile Working project team in order to assist in the drafting of guidance and policies. It is expected that the guidance will be complete, and the policies signed off</p> <p>It should be noted that:</p> <ul style="list-style-type: none"> • all three councils ask staff to sign up to a personal commitment statement or information security policy, the principles of which need to be carried through to the guidance drafted for specific projects. • Phase 2 of the Learning and Development training programme is currently taking place, with mandatory e-learning for all staff on information security and data protection to be completed and rolled out across the three boroughs by October 2016. • a new Information Security Policy framework with codes of

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
									practice on information handling and security classification is planned to be authorised by chief officers in June and July 2016.
15	2014/15	Corporate Services	Tri borough Cloud Computing	Satisfactory	The Tri-Borough should ensure continuous compliance of their vendors and Cloud Service Providers with applicable regulations such as: PCI DSS, ISO 27001, EU Data Protection Regulations, Cloud Security Alliance Control Matrix, ISAE 3402, SSAE 16, and SAS 70 Type II.	2	31/03/2015	Ed Garcez, Chief Information Officer	19/04/2016 – update from Head of IM: The completion of privacy impact assessments (PIA) for all new/renewed contracts with vendors. The PIA and accompanying process was due for review in June 2015 but was not completed due to the relevant project officer leaving the organisation(s). As this task is outstanding and aligns with the performance monitoring recommendation, I have added the PIA review and overhaul into the remit of the new temporary IG manager which will now include a process to monitor a vendor's compliance with applicable information and ICT regulations. This task will need to be completed in partnership with the corporate procurement teams across the three councils and the Procurement and Risk Advisory Group (PRAG). Deadline for renewed PIA and procedure proposal: 30 October

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
									<p>2016, implementation 31 December 2016.</p> <p>Update 27/5/2016 - Contractor performance is regulated at least in part, through the contract and performance management element of capitalEsourcing. As part of the Invitation to Tender and then through to award and periodic monitoring of contract, contract managers are obliged and responsible for ensuring the service is delivered according to specification. The capitalEsourcing system allows for Performance Milestones to be set up therefore it may only be a case of setting up appropriate Contract Managers with the right Performance Milestones, including for Cloud computing, where Audit have recommended so that regular PCI DSS, ISO 27001, EU Data Protection Regulations, Cloud Security Alliance Control Matrix, ISAE 3402, SSAE 16, and SAS 70 Type II are all periodically checked as part of standard capitalEsourcing contract management. Procurement are happy with this approach and are</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
									<p>assisting in setting it up.</p> <p>In addition, the regular reporting on performance and security incidents across the three councils is being aligned. shared ICT are in the process of recruiting a temporary Information Governance (IG) Manager to coordinate and implement an IG performance monitoring procedure. The procedure take the form of a quarterly report that will be taken to Bi-Borough Corporate Services and H&F Business Board to enable service areas to extract to address weaknesses in compliance. Deadline for first report and procedure implementation: September 2016</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
16	2015/16	Corporate Services	Corporate Procurement	Satisfactory	<p>The Commercial Director, once appointed, should:</p> <ol style="list-style-type: none"> 1. Ensure a new corporate procurement strategy is developed in order to provide clarity regarding the future direction of LBHF Corporate Procurement. 2. Decide on the structure of the LBHF procurement function and approach to procurement that will be used. 3. Work with WCC and RBKC to review and update as necessary the existing shared-service procurement policies, procedures, and oversight arrangements in order to ensure they are efficient and effective. 4. Consider whether a procurement skills training programme would be appropriate for LBHF. 	1	31/03/2016	Michael Hainge, Commercial Director	<p>1. Draft strategy has been written and is being considered by the Cabinet Member. 2. Contract management has been identified as a weakness and the link between procurement and contract management needs to be defined and strengthened . A review of the contract management of contracts is underway and the final structure of the new team will be determined once this is complete. 3. Clear political direction has been given that procurement for H&F should stand alone except where shared service arrangements make joint working necessary. Shared services in Adults and Children's have their own procurement resources. 4. Training in commercial and contract management is underway.</p>


Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
17	2015/16	Corporate Services	Corporate Procurement	Satisfactory	<p>1. The contract management framework should be finalised and rolled out, with accompanying training, in order to ensure a consistent approach to contract management across the Council.</p> <p>2. Compliance monitoring should be undertaken to ensure that this approach is being complied with.</p> <p>3. To reiterate points made at the May 2015 Procurement Board meeting, this framework should:</p> <p>a. Include more guidance on performance management and when contract extensions are permissible;</p> <p>b. Stress the importance of dealing robustly with contract breaches and poor performance by levelling defaults, remedies, and liquidated damages as appropriate; and</p> <p>c. Tie in more closely with the capitalEsourcing system, which should be covered in the guidance.</p>	2	31/01/2016	Michael Hainge, Commercial Director	<p>1. Contract management training is underway. A review of contract management is underway that will test H&F contract management against international standards. Once complete these standards will be embedded and appropriate governance put in place. 2. see previous reply. 3. a. The new procurement strategy required under Contract Standing Orders addresses this point. b. this point is answered in 1. above. c. Capital e-sourcing is under review and may not be an optimum solution for H&F</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
18	2015/16	Corporate Services	IDOX Document Management System (DMS)	Satisfactory	<p>Management should implement the following:</p> <ul style="list-style-type: none"> Investigate the current reporting capabilities within the DMS system for reports to be generated of users on the system, as well as their access roles and the permissions per role; A process to periodically report and review users roles and permissions to ensure that access has been granted on a need basis; and Revoke / remove inadequate permissions, if identified. 	2	31/03/2016	Mahmood Siddiqi, Director for Transport and Highways	No update received.
19	2015/16	Corporate Services	IDOX Document Management System (DMS)	Satisfactory	<p>In line with the Council's security policy, the following logical controls should be implemented in the IDOX Document Management System:</p> <ul style="list-style-type: none"> Password combination of alphabetic and numeric characters including special characters. <ul style="list-style-type: none"> Minimum password length of eight characters. Password violations set to a minimum of three unsuccessful access logon attempts. Passwords are force changed every 30-90 days. Log, report and review access violation attempts. 	2	31/03/2016	Mahmood Siddiqi, Director for Transport and Highways	Access to the Idox dms will be changed to be via the Uniform system which already has single sign on. This is part of an upgrade from v9.1 to v10 of Uniform scheduled for mid-June

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
20	2015/16	Corporate Services	IDOX Document Management System (DMS)	Satisfactory	<p>Management should implement the following:</p> <ul style="list-style-type: none"> Formally document the user access management processes for granting and amending access to and for removing access from the IDOX DMS System. Establish a process to periodically report and review user access and if identified, revoke access from leavers on the system. 	2	29/02/2016	Mahmood Siddiqi, Director for Transport and Highways	Access to the Idox dms will be changed to be via the Uniform system which already has single sign on. This is part of an upgrade from v9.1 to v10 of Uniform scheduled for mid-June
21	2014/15	Transport & Technical Services	Organisational Health and Safety	Satisfactory	<p>Service lines should be instructed, via the Corporate Health and Safety Committee to provide a copy of their risk assessments to Corporate Health and Safety so they can be uploaded onto Tri-B Net.</p> <p>These risk assessments should be reviewed and updated on an annual basis. Monitoring of activity should be undertaken by the Corporate Safety Team.</p>	2	30/06/2015	Nick Austin, Director for Environmental Health	<p>Update 18/2/2016 – Progress has been made. Departmental and team audits have been undertaken. Risk assessments for ELRS, TTS, Libraries and the majority of ASC are now collated centrally. Generic risk assessments for CHS and the remainder of ASC are being prepared and will be sent to managers for sign off. Completion tabled for end of April 2016.</p> <p>A significant number of general risk assessments are still outstanding for Adult Social Care (31/50) and Children's Services (29/37) and therefore this recommendation remains outstanding. Due to the setup of both adult social care and children services, these are tri-borough and there are ongoing organisational changes within the departments.</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
22	2014/15	Transport & Technical Services	Rechargeable Street Works	Satisfactory	<p>Performance indicators for the service should be agreed and monitored against. This could include:</p> <ul style="list-style-type: none"> • % of assessments that have been undertaken, within set timeframe, after an application has been received; • % of estimates provided to customer, within set timeframe, after assessment has been completed; • % of proactive Inspections undertaken within timeframe; • % of additional works required as a result of quality inspections; and • % deviation of estimate to actual invoice amount. <p>Results should be reported to Senior Management on a periodic basis.</p>	2	01/06/2015	Mahmood Siddiqi, Director for Transport and Highways	<p>Prior to Agresso, we had monthly meetings with our Finance and they would prepare the KPIs as they had easy access to information. Since we changed over, I am now responsible for all the financial management and not Finance. Hence they have stopped presenting the KPI information at meetings.</p> <p>However, the change in the system is still in transition. So part of the financial work is still being done by our finance, BT and ourselves This is preventing us from being able to provide the KPIs.</p> <p>There have been several attempts to train us in the rechargeable process. We are now making some progress towards us managing all of the manage all the financial processes. Then we can start to prepare KPIs.</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Director	Status
23	2015/16	Transport & Technical Services	Premises Licensing	Limited	<p>Management should continue with current efforts to work with the Finance and IT functions in order to ensure that:</p> <ul style="list-style-type: none"> • Invoicing of annual fees is conducted following the agreed debt cycle; • New customer accounts are created in Agresso on a timely basis; • Licensing and accounts receivable records are adequately maintained and are duly reconciled; and. • Invoices approved for write off/ cancellation are cancelled in Agresso on a timely basis. <p>The possibility of obtaining the support of a professional with Uniform application expertise should be explored in order to ensure the licence records in Uniform are refreshed to include the Agresso customer numbers.</p>	1	31/03/2016	Nick Austin, Director for Environmental Health	No update received.
24	2015/16	Transport & Technical Services	Premises Licensing	Limited	Management should ensure that all overdue annual fees for LBHF continue to be investigated and all records in the Uniform database are cleansed.	1	31/03/2016	Nick Austin	No update received.
25	2015/16	Transport & Technical Services	Premises Licensing	Limited	<p>An interface and reconciliation should be implemented between the Agresso and Uniform systems.</p> <p>This process should be automated to reduce the risk of human error and ongoing resource requirements of a manual reconciliation.</p>	1	31/03/2016	Nick Austin	No update received.

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p style="text-align: center;">15 June 2016</p>		
<p>ANNUAL GOVERNANCE STATEMENT ACTION PLAN AND OUTSTANDING RECOMMENDATIONS FOR EXTERNAL AUDIT</p>		
<p>Report of the Director for Audit, Fraud, Risk and Insurance</p>		
<p>Open Report</p>		
<p>Classification: For Information Key Decision: No</p>		
<p>Wards Affected: None</p>		
<p>Accountable Director: Moyra McGarvey, Director for Audit, Fraud, Risk and Insurance</p>		
<p>Report Author: Geoff Drake, Senior Audit Manager</p>	<p>Contact Details: Tel: 020 753 2529 E-mail: geoff.drake@lbhf.gov.uk</p>	

1. EXECUTIVE SUMMARY

- 1.1. This report summarises Progress on implementing recommendations arising from the External Audit Report 2014/15 and the Annual Governance Statement

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 2015 the Council's External Auditors (KPMG) issued their 'Report to those charged with governance (ISA 260) 2014/15'. The report contained two recommendations for implementation by management and one remains in progress.

- 4.2. The Council's 2014/15 Annual Governance Statement (AGS) also contained one issue 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 issue 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.

5. PROPOSAL AND ISSUES

Update on External Audit recommendations

- 5.1. The table attached as Appendix A shows the progress reported by the responsible managers in implementing the recommendations from the KPMG 'Report to those charged with governance (ISA 260) 2014/15'. 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.

Update on Annual Governance Statement Recommendations

- 5.2. The table attached as Appendix B shows the progress reported by the responsible managers in implementing recommendation from the 2014/15 Annual Governance Statement.
- 5.3. 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.

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

None.

LIST OF APPENDICES:

Appendix A - External Audit Recommendations
Appendix B - Annual Governance Statement Recommendations

External Audit Recommendations Update

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) 2014/15</i>			
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. (Carried over from 2012-13)	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. The Council will continue to use spread sheets which will be refined and improved where possible.	Director for Finance	This will delivered via the Agresso system once priority areas of that system have been fully implemented and/or stabilised. Corporate Finance will continue to use the established spreadsheets for fixed asset accounting in 2015/16 and thereafter will 'parallel run' them with Agresso.

2014/15 Annual Governance Statement Action Plan

Entry	Responsible Officer	Action Plan	Progress To date
<p>Managed Services Programme</p> <p>The BT Managed Services Programme (MSP) is intended to standardise operations and reduce costs across Hammersmith and Fulham (LBHF), the Royal Borough of Kensington and Chelsea (RBKC) and Westminster City Council (WCC). The chief executive of WCC has been the Senior Responsible Officer (SRO) for the project throughout the programme. The programme aims to provide a standard system irrespective of the council or the service. The system that was chosen provides a common transactional Human Resources, Payroll and Finance service. It was originally planned that it would provide a saving of over £6 million by 2015/16 across the three councils but there have been significant and costly problems with this project and that saving is no longer likely. There were four audits of the programme undertaken during the year of which a limited assurance was determined of the control environment associated with systems readiness, change management And testing. The 'Go Live' date was postponed from 1 April 2014 and then September 2014 with the majority of the</p>		<p>This progress report deals with the resolution of the challenges that have arisen with respect to the delivery of the Managed Services Programme since go-live on 1st April 2015. The decision to go live with the system was taken in the knowledge that the SERCO contract with Westminster could not be extended and there was no resource available to update the H&F and RBKC systems such that they could be relied on after March 2015. It was recognised that this was not an ideal position and it has given rise to significant problems. A programme stabilisation plan has been created around the workstreams and the programme governance arrangements that existed before go live including risks and issues management and stage gate reviews. Programme reporting and programme assurance have been strengthened. A summary of the deliverables for each workstream is given below:</p> <ol style="list-style-type: none"> 1. Finance – this workstream is tasked with ensuring that all finance processes and core data are fully operational and stable (Purchase to Pay; Record to Report, Order to Cash, Fixed Assets, Income Manager, Access and Authorisations, Planning and Forecasting). 2. Organisation structure – a corrected organisation structure supported by appropriate online forms, standard operating procedures and establishment reporting. 3. Human Resources – This workstream is tasked with the delivery of stable HR processes, the resolution of system configuration issues and enabling reporting and alerts. 4. Payroll – Key deliverables for this workstream are stabilisation of pay impacting incidents, improving self-service accuracy, rationalisation of payroll codes, 	<p>1. From Programme to Operations</p> <p>The Managed Services Programme will conclude at the end of June with an enhanced ICF target operating model in place to manage the completion of the remaining deliverables and support stabilisation of the solution.</p> <p>The majority of activity is already moving from the programme into the operational sphere and progress has been made overall. This is not to say that everything that needs to be delivered has been delivered or that all processes are operating as they should. Programme team representatives together with representatives from the boroughs are currently going through a process of validating performance against the CPI's and KPI's.</p> <p>The transitional model to allow the management of outstanding deliverables, problems, defects, change and risk will be implemented as part of the enhanced Intelligent Client Function target operating model. The Intelligent Client Function has proposed a set of governance arrangements which set out how the contractual target operating model will be implemented as the solution is stabilised, processes are documented, workarounds eliminated and performance targets achieved. This has been discussed at OFB and is subject to the development of more detailed proposals.</p> <p>This report, therefore focuses on the remaining key priorities for each of the workstreams except:</p>

Entry	Responsible Officer	Action Plan	Progress To date
<p>system eventually going live on 1 April 2015. Since 'Go Live' there are problems that had not been foreseen and which are currently being worked through. There are substantial concerns about this project.'</p>		<p>resolution of pension issues and 3rd party pension provider access, enabling effective reporting for both councils and schools, resolving payroll deductions and overpayments and complete payroll reconciliation.</p> <p>5. Organisation readiness – this workstream is responsible for the analysis of training needs, the delivery of training programmes, e-learning and reference materials and supporting the transition of council personnel to self-sufficiency, including communication of progress to all staff.</p> <p>6. Schools and academies – delivering self-service access to Agresso for key personnel in schools, providing accurate and stable payroll processes, ensuring effective management of starters and leavers and providing accurate and timely reports and management information.</p> <p>7. Service management and governance – this workstream is responsible for the management of the contract and implementation of all contractual service management deliverables, reporting and management information, oversight of the BT Shared Service Centre improvement and incident recovery plan and on-going quality assurance and performance monitoring as well as supporting the transition to business as usual and putting in place the Intelligent Client Function</p> <p>8. Solution and environment assurance – this workstream is focussed on: ensuring effective environment, system and data control; confirmation that what has been delivered is what was specified – especially from an ERP (cross workstream) viewpoint; reconciliation and integrity assurance; improving system performance, documentation and the simplification of the access and authorisations model (including its link to the end to end Starters and Leavers process).</p> <p>9. Interfaces – is tasked with developing and implementing mechanisms to send and receive data files from source systems to target systems (so that key council service</p>	<ul style="list-style-type: none"> • Organisation Readiness (which is currently providing significant direct support to users to understand their support needs and encourage engagement with the solution); • Service Management and Governance (which is now focused on the release of service management information, the demand and capacity plan, the quality plan and the service improvement plan as part of the developing enhanced Intelligent Client Function); and • Schools <p>2. Finance</p> <p>Full implementation of Income Manager will go beyond the end of June. BT is preparing a detailed plan which will be presented to a workshop for Finance Directors. Issues remain with system speed, chip and pin and MOTO. Work continues between BT, RBKC and H&F to achieve improved levels of UNA. The 2015/2016 bank reconciliation was delivered, but not without some concerns about the completeness of the data. BT will use leaver overpayments as a pilot prior to the main roll out of debt management which has not yet started. A staged implementation plan for this is being prepared with a view to implementation by 30th July. The core elements of the Record to Report functionality are delivered through the Budget Manager Pack. That functionality was complete at the end of December and the Budget Manager Pack is being rolled out for some pilot service areas in WCC. H&F are planning to pilot this for month 3 monitoring. Record to report has, however, slipped further because of the prioritisation of year-end activity and some build activities were only finalised in May. The master data solution has proved more complex than anticipated and the customer data cleanse</p>


Entry	Responsible Officer	Action Plan	Progress To date
		<p>areas can exchange data with Agresso), including the creation of translation tables, transformation rules and secure transport protocols.</p>	<p>has yet to commence. H&F have not taken up the option of debt management through BT.</p> <p>3. Organisation structure</p> <p>The post to post hierarchy in Agresso is largely correct. However, as a result of the payroll reconciliation project a number of potential system issues and data gaps have been identified. A detailed plan is now in place to correct the data gaps by 6th July 2016 and will be followed by the implementation of additional mandatory fields and changes to system routines to preserve data integrity going forward. Further work will need to be done to identify and cleanse any remaining errors in the organisation structure data subject to the outcome of this exercise. BT continues to increase resources and improve processes and training to enable the CPI for organisation data changes to be consistently met.</p> <p>4. Human Resources</p> <p>A large amount of the HR activity is now being managed through change requests as part of operational activity. An issue remains with annual leave carry over which prevents managers from approving leave however the fix for this is currently in test and should be resolved imminently There is a defect with the appraisal form which means that if an employee's line manager moves or leaves during the appraisal year, the form does not automatically workflow to the new manager. A fix for this has also been identified and is with a build consultant for resolution. The majority of the remaining HR reports (6 out of 10) have passed UAT, but are currently the subject of commercial discussions connected with payment for the work. This is preventing them from being made live. Legacy files are not yet ready for uploading to live as H&F and WCC are carrying out an</p>

Entry	Responsible Officer	Action Plan	Progress To date
			<p>audit of the content first. RBKC legacy files are now with BT. There is a further issue for WCC affecting some 1,800 files and a change request has been submitted for rescanning of these files.</p> <p>The HR workstream has been working closely with BT to ensure that outstanding functionality is fit for purpose, working correctly and thoroughly tested and the following functionality is therefore due for release into the live system in the very near future: workflow view, working patterns, case management and the position register – all of which will be of help to line managers in maintaining data integrity within Agresso.</p> <p>5. Payroll</p> <p>a. Pensions</p> <p>The annual pension report has been issued to Surrey County Council which should allow completion of the triennial review and individual benefit statements. However confirmation has yet to be received that the file meets Surrey's requirements. Monthly pension reports have not yet been completed and there is a concern that these may generate a large number of queries in part as a result of differences with the annual pension report. The Teachers' Annual Return was submitted in time for the deadline of 31st May but with errors and without a covering letter acknowledging the errors. The return is still under review by Tri-Borough and BT and there will be questions to resolve. The date for the final submission of the return is 30th November, but between now and then it must pass scrutiny by internal and external audit. The Teachers' Annual Service and Salary Return is another cause for concern. This must be submitted by 6th July and when last reviewed by Tri-Borough showed a 25 -30% error rate. Work on the pensions calculation review continues but has</p>

Entry	Responsible Officer	Action Plan	Progress To date
			<p>been delayed as a result of having to re-run a number of the payrolls and does not yet include absences. The latest deadline for completion given by BT is 24th June. This has been challenged by Tri-Borough because completion of this activity impacts on the timelines for the submission of the annual returns.</p> <p>b. Payroll Work on the payroll audit also continues but is running significantly behind the agreed deadline. A number of areas have yet to be started and there are some significant error rates being exposed in those areas on which work has progressed. Recovery of overpayments to leavers has begun and contact has been made with 19% of the 118 leavers to whom overpayments were made.</p> <p>All remaining payroll deliverables have been transferred to the SSC for prioritisation and delivery.</p> <p>Payroll accuracy figures for April are WCC 98.5 RBKC 77.1% and H&F 99.5%. The average of 92.3 does not include errors that may be associated with the pensions reconciliation project or the payroll audit. The accuracy of the RBKC payroll was impacted by a significant error with performance related pay which has affected more than 500 employees.</p> <p>6. Solution assurance</p> <p>Work is being taken forward to embed the findings from the controls and system report which has now been circulated for comment and discussed with Internal Audit. The vast majority of client side activities here will fall to the central and local ICF's to monitor. Access and authorisations has been decoupled from Update 6. The plan now is to test and</p>

Entry	Responsible Officer	Action Plan	Progress To date
			<p>implement the new Access and Authorisations model in June. There is a requirement to ensure that changes to the organisation structures fully integrate with Access and Authorisation changes – to ensure end users experience seamless starters, leavers and change processes. System performance continues to be an issue for both support staff and end users. BT has in place a plan to resolve system speed issues and has assigned a dedicated resource to the delivery of the plan. Improvements via Update 6/Milestone 5 (the next Agresso release) and reviews of configuration are, however, seen as the principal route to a resolution of the system performance problems. Test scripts are being reviewed and revised and testing for Update 6 is scheduled for July with implementation in early August. Adoption of Milestone 5 is planned for December 2016.</p> <p>7. Interfaces</p> <p>There remain six critical interfaces which have been deferred at the request of the business owners, but are planned for implementation by the end of June. The interfaces in question are:</p> <ul style="list-style-type: none"> • Comensura/Pertemps – Purchase Order • Comensura/Pertemps – Timesheet and Expenses • Comensura/Pertemps – Close Engagement • Commercial Waste – RBKC • Temporary Accommodation – RBKC • Outstanding IM interfaces

Agenda Item 12

<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p>15 June 2016</p>	
HEAD OF INTERNAL AUDIT ANNUAL REPORT 2015/16	
Report of the Director for Audit, Fraud, Risk and Insurance	
Open Report	
Classification: For Information Key Decision: No	
Wards Affected: None	
Accountable Director: Moyra McGarvey, Director for Audit, Fraud, Risk and Insurance	
Report Author: Geoff Drake, Senior Audit Manager	Contact Details: Tel: 0208 753 2529 E-mail: geoff.drake@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This Head of Internal Annual Assurance report is a summary of all audit work undertaken during the 2015/16 financial year and provides assurances on the overall System of Internal Control, the System of Internal Financial Control, Corporate Governance and Risk Management. In all cases a satisfactory or substantial assurance has been provided with the exception of the significant control weaknesses recorded in the report. The report is a key element of the evidence supporting the Annual Governance Statement (AGS).

2. RECOMMENDATIONS

- 2.1. To note the contents of this report.

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None.

LIST OF APPENDICES:

Appendix A - Assurance Levels 01/04/2015 – 31/03/2016

Appendix B - Internal Audit Performance – 2015/16

Appendix C - Internal Audit work for which an assurance opinion was not provided

Appendix D - Follow up Audits



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA



City of Westminster

London Borough of Hammersmith and Fulham | The Royal Borough of Kensington and Chelsea | Westminster City Council

London Borough of Hammersmith and Fulham

2015/16 Head of Internal Audit Annual Assurance Report

June 2016



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1. Executive Summary

- 1.1. From the Internal Audit work undertaken in 2015/16, it is our opinion that we can provide reasonable assurance that the system of internal control that has been in place at the London Borough of Hammersmith & Fulham for the year ended 31 March 2016 accords with proper practice, except for any details of significant internal control issues as documented in the detailed report at section 2.

2. Introduction

- 2.1. The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. This opinion statement is provided for the use of the London Borough of Hammersmith & Fulham and is used to support its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 2.2. From the Internal Audit work undertaken in 2015/16, it is our opinion that we can provide reasonable assurance that the system of internal control that has been in place at the London Borough of Hammersmith & Fulham for the year ended 31 March 2016 accords with proper practice, except for any details of significant internal control issues as documented at section 8.

3. Scope of Responsibility

- 3.1. The London Borough of Hammersmith & Fulham is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 3.2. In discharging this overall responsibility, the London Borough Hammersmith & Fulham is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

4. The Purpose of the System of Internal Control

- 4.1. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Hammersmith & Fulham's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

5. The Internal Control Environment

- 5.1. The CIPFA Public Sector Internal Audit Standards defines the control environment as providing the discipline and structure for the achievement of the primary objectives of the

system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

6. 2015/2016 Year Opinion

6.1. From the Internal Audit work undertaken in 2015/16, it is our opinion that we can provide reasonable assurance that the system of internal control that has been in place at the London Borough of Hammersmith & Fulham for the year ended 31 March 2016 accords with proper practice, except for any details of significant internal control issues as documented in the detailed report at section 8.

6.2. In reaching this opinion, the following factors were taken into particular consideration:

- a) The whole programme of internal audit work undertaken by Mazars between 1 April 2015 and 31 March 2016. This included a review of the Council's Corporate Governance and Risk Management arrangements;
- b) Internal Audit work undertaken by the Royal Borough of Kensington and Chelsea and Westminster City Council on shared services.
- c) An independent review of Internal Audit against CIPFA's Public Sector Internal Audit Standards which provided a positive result;
- d) The outcome of audit work for which no assurance level was provided. A summary of work undertaken and key findings can be found in Appendix C; and
- e) Follow up of audits undertaken in the previous years. A summary of the outcome of these follow up visits can be found in Appendix D.

Internal Control

6.3. The system of internal control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council, in particular the system includes:

- Codes of practice and Financial Regulations;
- Standing Orders, Standing Financial Instructions and Schemes of Delegation;
- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecast;
- Setting targets to measure financial and other performance;
- Clearly defined capital expenditure guidelines; and
- A formal programme and Project management discipline

Managed Services

- 6.4. The Managed Services Programme (MSP) was set up to introduce an external managed service delivering HR and finance processes. The programme went live on 16 March 2015 with a further programme of staged implementation originally extending to 30 April 2015 that has continued to be extended since. Overall, the programme work plans were reviewed by MSP post go-live and this established key deliverables with new baseline due dates. These plans and the target date for 'Business as Usual', now being referred to as 'Steady State', have necessarily slipped and a more recent review of plans has re-set due dates which now stretch through into the 2016/17 financial year.
- 6.5. During the first nine months of Managed Services being operational, an internal audit was started on the high level controls within the system. Progress on this audit was slow and, due to difficulties in meeting with appropriate staff at BT to undertake all aspects of this review, a number of areas could not be reviewed and a limited assurance opinion was given on the adequacy of the high level controls. It was apparent from this audit that in some of the areas reviewed significant changes had been made since implementation.
- 6.6. In addition to the High Level Controls review, a review of the bank reconciliations process has been undertaken as an advisory piece of work which has been discussed with the Finance Leads for the three Councils and an audit of the established interfaces with Managed Services is due to be reported in May 2016.
- 6.7. The main audits due to be undertaken in 2015/16 on various aspects of the Managed Service could not be undertaken for a number of reasons including a lack of appropriate auditor access and delays in implementing some aspects of the system. In order to undertake an effective internal audit whereby reliance can be placed on the testing undertaken, there needs to be independent assurance that the system is operating in a stable environment with changes properly controlled and tested prior to being implemented. Apart from the high level controls review, which indicated that there were a number of areas where assurance on controls could not be given, Internal Audit have not independently reviewed the system controls and have therefore not undertaken any substantive testing during 2015/16 in the key areas of HR, Payroll and Finance.
- 6.8. However, in order to obtain assurance on the accuracy of the information being processed through the Managed Services environment and feeding into the Council's financial management system, officers within the Council's Finance Team have undertaken testing in all of the key financial areas as part of the year end accounts processes. Internal Audit has reviewed this testing and it has been confirmed as thorough and focused on the key areas of risk. Corrective action is being undertaken by both Council staff and by the Managed Service provider and mitigating actions have been taken by the Council to minimise the impact of any errors identified on the Council's financial management information. Although the Council has been proactive in identifying errors and weaknesses to the Managed Services provider, it should be noted that until robust controls and systems are embedded, the potential for further related or unrelated errors, cannot be ruled out.

Governance

- 6.9. In my opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE and updated in 2013. This opinion is based on the work of Internal Audit as described in Appendix A, which provided a 'satisfactory' level of assurance as to the Corporate Governance systems in place.

Risk Management

- 6.10. Three risk management audits were completed as part of the 2015/16 audit plan. Namely, Corporate Risk Management Compliance Review and audit of risk management of both Corporate Services and what was Environment, Leisure and Residents Services.
- 6.11. A Satisfactory assurance opinion was provided for the Corporate Risk Management Compliance Review. Recommendations were raised that related to:
- Completing all fields on the risk register.
 - Following the standard risk register template and defining when all services should transfer to the new risk register template.
 - Organising the way risk registers are filed on SharePoint for easier review and access
- 6.12. A Satisfactory assurance opinion was provided for the audits of Corporate Services and Environment, Leisure and Residents Services. Recommendations raised related to:
- Existing controls should be recorded for all risks, and where controls are absent, this should also be stated in the register. Inherent risk scores should be reviewed to ensure they reflect the impact of these existing controls.
 - A risk register owner should be appointed for the Finance risk register with overall responsibility for ensuring that this is up to date, and to act as the single point of contact for any queries regarding the register.
 - The responsible officer for each risk should be assigned to an individual officer where possible.
 - Risk scoring and existing controls on the Legal Services Risk Register should be reviewed and amended to help ensure that risk scoring is logical, and an accurate indicator of the inherent and residual risk exposure.

Qualifications to the opinion

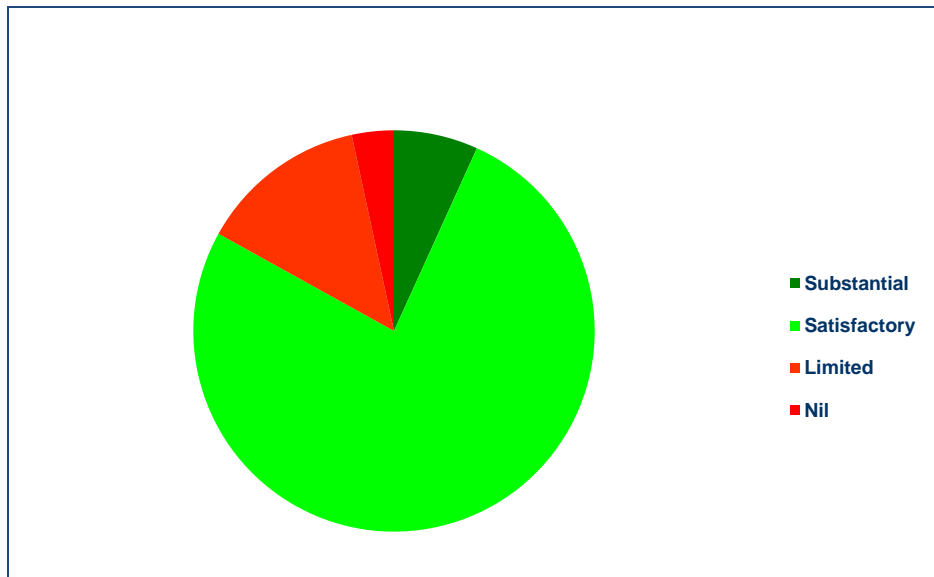
- 6.13. Internal Audit has had unrestricted access to all areas and systems across the Authority and has received appropriate co-operation from officers and members.

7. Basis of Assurance

- 7.1. We have conducted our audits both in accordance with the mandatory standards and good practice contained within the CIPFA Public Sector Internal Audit Standards and additionally from our own internal quality assurance systems.
- 7.2. Our opinion is limited to the work carried out by Internal Audit based upon the internal audit plan. Where possible we have considered the work of other assurance providers, including External Audit and the Internal Audit services of Royal Borough of Kensington and Chelsea and Westminster City Council as part of the shared services arrangement.
- 7.3. The audit work that was completed for the 2015/16 financial year is listed in Appendices A, C and D. Appendix A lists all the audits where assurance opinions are provided.
- 7.4. The pie chart below shows the levels of audit assurance achieved for the 2015/16 year including internal audits undertaken by the Royal Borough of Kensington and Chelsea and Westminster City Council, so that it covers all audits covering systems that support delivery of LBHF services.

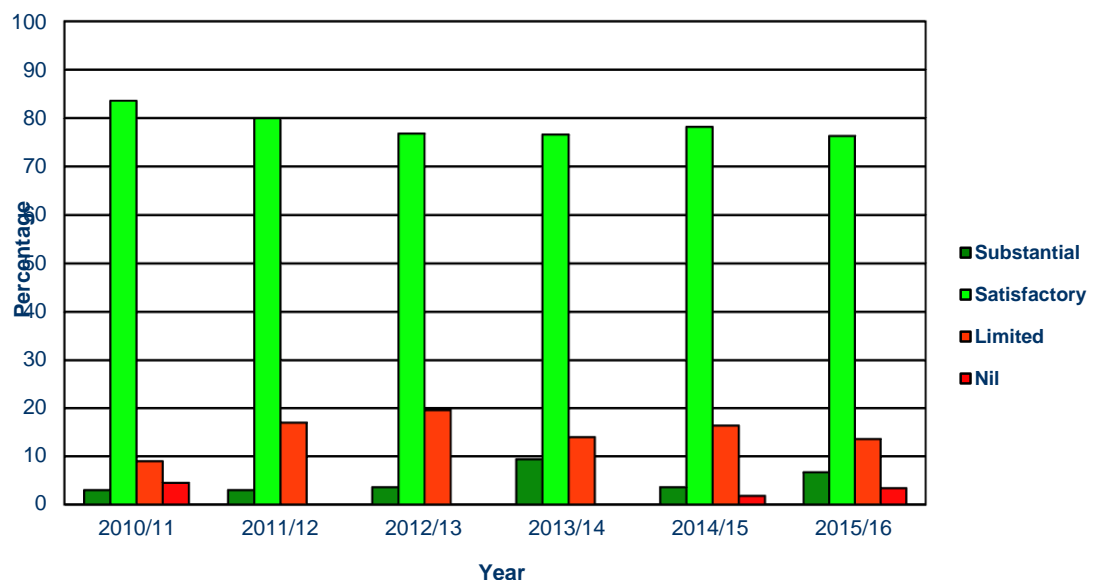
7.5. 83.1% of the systems audited achieved an assurance level of Satisfactory or higher, of which four audits received Substantial Assurance. 13.6% received a Limited Assurance, plus three Nil Assurance reports were issued in 2015/16 of which two were schools.

Assurance Levels for the year to 31 March 2016



7.6. To help put this into context the bar chart below shows the levels of assurance provided for all systems audited since the 2010/11 financial year. The distribution of assurance opinions shows a relatively stable position in the number of Limited assurance and substantial assurance reports although Nil assurance numbers have increased from one to three.

Assurance Levels of Reports from 2010/11 to 2015/16



Acceptance and implementation of Internal Audit recommendations

7.7. All of the recommendations made during the year were accepted by management. Whilst 11 reports remain at the draft report stage we have been provided with assurance by

management as part of the debrief meeting process that the recommendations made will be implemented.

7.8. The table below shows the number of audit recommendations raised each year that have been reported as implemented. This helps to demonstrate the role of Internal Audit as an agent of change for the council.

Year	Number of recommendations due	Number of recommendations implemented
2013/14	248	247
2014/15	202	192
2015/16	99	80

7.9. In total, 49 recommendations have been followed up by internal audit, of which 39 were either fully implemented or no longer relevant, representing 80% of all those tested. If partially implemented recommendations are added this totals 96% of all those tested. This is an improvement since 2014/15 and provides reasonable confidence that recommendations reported as implemented have been effectively actioned. The results of our follow up visits can be seen in Appendix D.

8. Significant Control Weaknesses

8.1. Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2015/16, the following significant issues were identified:

- Two limited assurance reports were issued in relation to the Managed Services Programme: A High Level review new Controls and Processes, and; Implementation Planning.
- Weaknesses were found within the Premises Licensing Audit, mainly related to the implementation of the Agresso system. The implementation of Agresso also affected a number of other audits but not sufficiently to impact on the assurance opinion provided.
- Weaknesses were found in the governance of Mental Health Section 75 Agreements;
- One school received Limited Assurance opinions (Kenmont Primary School), and two schools received Nil Assurance opinions (Brackenbury and Fulham Primary Schools); and
- Weaknesses were found within the letting and management of Council owned garages.
- The main Managed Services audits due to be undertaken in 2015/16 could not be undertaken for a number of reasons including a lack of auditor access and delays in implementing aspects of the system. In order to obtain assurance on the accuracy of the information being processed through the Managed Services environment and feeding into the Council's financial management system, officers within the Council's Finance Team have undertaken testing in all of the

key financial areas as part of the year end accounts processes. Internal Audit has reviewed this testing and it has been confirmed as thorough and focused on the key areas of risk. Corrective action is being undertaken by both Council staff and the Managed Service provider and mitigating actions have been taken by the Council to minimise the impact of any errors identified on the Council's financial management information. Although the Council has been proactive in identifying errors and weaknesses to the Managed Services provider, it should be noted that until robust controls and systems are embedded, the potential for further related or unrelated errors, cannot be ruled out.

Annual Governance Statement

- 8.2. The Council's Annual Governance statement states:
- 8.2.1. 'We have been advised of the results and implications of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.
- 8.2.2. Money received by Hammersmith and Fulham Council from central government is reducing significantly every year. Funding reduced by £18m in 2015/16 (to £57.6m) and is forecast to further reduce by £33.6m from 2015/16 to 2019/20. Based on the Local Government Finance Settlement the 2016/17 grant reduction is £8.2m. In addition, Government has imposed £3.4m of new responsibilities on LBHF without providing any funding. As part of the Local Government Finance Settlement the government announced that authorities can charge a 2% social care precept. This would raise £1.1m for Hammersmith and Fulham and is included in Government projections of LBHF's spending power. The Government also included an assumed further 1.75% increase in council tax in LBHF's spending power projection, meaning a total council tax increase of 3.75% is assumed in the spending power projection. The Council's administration does not wish to apply any tax increase to residents, so it does not form part of the 2016/17 budget proposals. In the context of this, the Council will continue to prioritise and endeavour to maintain strong governance arrangements, focusing on the purpose of the Council and on outcomes for the community, engaging with stakeholders, and promoting values for the authority whilst demonstrating the values of good governance through upholding high standards of conduct and behaviour. Further to this, proactive risk management arrangements will be enhanced to support the delivery of the Council's key objectives
- 8.2.3. Contract management arrangements require improvement across the Council and generally there is limited assurance on compliance with the exemptions to Contract Regulations. The monitoring of contract performance has been inconsistent across the Council, especially where performance frameworks do not exist and there has been a general lack of proactive contract management by services. The Council has recognised the significance of the issues identified in this area and has responded by designing new internal control and governance arrangements that include establishing a new team with a Commercial Director within the Chief Executive's Department. The primary responsibility of this team is to improve standards in both the procurement and contract management activities of the Council. Going forward this team will design and implement processes and procedures to embed a culture of best practice within these key activities across the Council.
- 8.2.4. The Managed Services Programme was procured by Westminster City Council in 2013 to

provide transactional Human Resources, including payroll, finance services and a Shared Service help desk for the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the City of Westminster Councils. The programme overran its original delivery date of 1 April 2014 and went live on 16 March 2015 with a further programme of staged implementation originally extending to 30 April 2015 that has continued to be extended since. Overall, the programme work plans were reviewed by the Programme post go-live and this established key deliverables with revised due dates. These plans and the target date for to achieve a steady state, have slipped and a more recent review of plans has re-set due dates which now stretch through to June 2016.

- 8.2.5. The Council has recognised through its Audit Committee and Contract management arrangements that the contract with BT has had significant issues. During the year, the Council discontinued the use of Westminster City Council's Chief Executive as the SRO for the contract with BT and appointed the Council's Chief Executive as its SRO for the contract with BT. Officers and members from the Council held regular meetings with BT to review plans to improve performance, including making sure measures were taken to ensure internal controls operated. Work is on-going with BT to address the issues raised in this statement and additional resources are being applied by them and the Council to resolve the issues as soon as possible, although over the period improvements have been made we are unable to say with confidence when the system and service will be fully operational. In order to undertake an effective internal audit whereby reliance can be placed on the testing undertaken, there needs to be independent assurance that the system being reviewed is operating in a stable environment with changes properly controlled and tested prior to being implemented. Apart from the high level controls review of the Managed Service, which indicated that there were a number of areas where assurance on controls could not be given, Internal Audit have not been able to independently review the system controls and have therefore not undertaken any substantive testing during 2015/16 in the key areas of HR, Payroll and Finance. Due to problems with the system, additional internal finance and HR resources were engaged during the year by the Council to support HR and finance work, including to assist the production of the final accounts.'

9. ICT

- 9.1. Internal Audit undertook 7 ICT or ICT related audits in 2015/16. Five audits received a Satisfactory assurance opinion, 1 limited (MSP Interfaces) and one report was issued for which no assurance opinion was required (IT Contract Documentation).
- 9.2. We found the areas audited in 2015/16 to be generally well controlled. Areas of strength identified included controls related to Cyber Security, Software Licensing and 3rd Party Remote Access.
- 9.3. An internal audit of the Managed Services Interfaces was undertaken and is currently at draft stage. A Limited assurance opinion was provided with 4 medium and one high priority recommendations being raised. The audit identified improvements in interface error identification controls and issue resolution procedures since the system go live in April 2015. Although controls are in now place to help mitigate the risks detailed below, there is little transparency via interface management activity Key Performance Indicator and trend analysis reports to demonstrate the effectiveness of the service improvement initiatives

10. Finance

- 10.1. Of the 9 finance related audit reports issued in the 2015/16 financial year, 1 received Substantial assurance, 4 received Satisfactory assurance and 4 received Limited assurance of which 3 related to the Managed Services Programme, the other relates to Mental Health Section 75 Agreements. There are concerns relating to Managed Services which have already been outlined at paragraphs 6.4 to 6.8.
- 10.2. This represents a similar position to 2014/15 where 3 reports issued received Limited Assurance all of which related to Managed Services.
- 10.3. The 2015/16 internal audit plan included an audit of MTFs savings where a sample of savings was selected to confirm their delivery can be supported by evidence. This work was in progress at the time of writing. Issues identified so far include responses not being provided to Internal Audit, a reasonable basis or rationale used to set targets not always being available for inspection; and inaccurate information reported relating to the savings achieved.
- 10.4. No significant error or fraud against the Council was detected as a result of our audit work.

11. Procurement and Contract Management

- 11.1. Of the 10 procurement and contract management related audits undertaken in 2015/16 three received Satisfactory Assurance; 2 received a split Satisfactory / Limited assurance opinion due to issues arising from the Agresso Implementation and 1 received a Nil Assurance. A management letter was issued for 3 pieces of Audit work and no assurance opinion was provided.
- 11.2. This shows a deterioration on 2014/15, where 1 Limited assurance report was issued. The introduction of Agresso from the 1st April 2015 negatively impacted on services' ability to monitor income and manage payments Other than this the results of the audits have identified no significant common weaknesses related to procurement and contract management in 2015/16.

12. Schools

- 12.1. Overall the results in 2015/16 has remained stable since the previous year, with eight schools receiving Satisfactory Assurance opinion, one schools receiving a Limited Assurance opinion and two schools receiving a Nil Assurance opinion. This compares to nine schools receiving Satisfactory Assurance opinion and four schools receiving a Limited Assurance opinion in 2014/15.
- 12.2. 18 high priority recommendations were raised as a result of the schools audits 2015/16 in comparison to nine in 2014/15. The main issues identified were:
 - Evidence of value for money not being retained for large value purchases and appropriate ordering of goods and services for low value payments (i.e. raising and authorising purchase orders);
 - The adequacy of school income records and the audit trail between income collected and cash banked; and
 - The maintenance of Assets & Inventory records.

13. Key Issues for 2016/17

13.1. There are a range of key issues that are likely to be of significance for the 2016/17 year and beyond that Internal Audit need to be aware of. These include:

- The continued impact of the current economic climate on the Council's finances through reduced levels of income with councils facing further reductions in the amount of money they receive from Government. This is coupled with other factors such as likely increases in demand for services and the performance levels and financial stability of organisations the Council works with;
- Transformation programme and projects continue to be undertaken to deliver savings, particularly, implementation of Managed Services and transformation within the Adult Social Care Department. This degree of change brings challenges in implementing a series of interconnected transformation projects successfully without impacting on service delivery. We would expect continued Internal Audit involvement in transformation projects and new initiatives, both to provide assurance and provide early support for new systems being 'right first
- With continued staffing cuts, reorganisation and the increasing move to outcomes based delivery, managing culture is a key factor in helping to achieve objectives. Furthermore, risk management processes and systems of internal control are only effective if the people operating and overseeing them exhibit the right behaviours.
- With increasing volumes of data being collected, generated and handled, the Council is facing increasing challenges in protecting this information and delivering value from it. In addition, at a time when a significant proportion of activity takes place in the digital space and through mobile working, all organisations need to consider the impact of any cyber security breaches they may have.
- With Managed Services continuing to be put in place during the 2016/17 year and the need for the underlying application to be upgraded there continues to be a need for an audit focus on this service.

14. Internal Audit Performance

Audit Plan

- 14.1. The Operational Plan for the 2015/16 year drew on corporate and departmental risk registers and other issues brought to the attention of Internal Audit, as well as the use of an audit universe that identifies all organisational activities that can be considered for audit coverage. We agreed and discussed the audit plan with Executive Directors, Directors and Heads of Service. We also consulted various other sources and coordinated the plan with those of the Royal Borough of Kensington and Chelsea and Westminster City Council.
- 14.2. Our operational planning is designed to provide an even flow of work throughout the year, and to allow us to monitor progress. As a result, this information can be used as a key benchmark against which progress on individual assignments can be measured.
- 14.3. The level of Internal Audit resources was considered adequate for the 2015/16 year. Also the Internal Audit service continued to maintain its independence from the day to day operations of the organisation, the chief mechanisms for this were the use of a contractor, Mazars, to deliver the core audit service plus the use of the audit services from RBKC and WCC to

deliver parts of the audit programme.

Internal Audit Assurance Levels

- 14.4. Appendix A sets out the level of assurance achieved on each systems audit and the change in assurance opinion where the audit has been undertaken previously. Three areas audited this year have shown deterioration in control since the last time they were audited: Brackenbury Primary School, Fulham Primary School and Contracts Register.
- 14.5. Of the ten audits that received a Limited or Nil Assurance opinion (eight final and two draft) three were schools, one was corporate, one related to Children's Services, one to Adult Social Care, two to Housing and Regeneration and the remaining two to the Managed Services Programme. In all cases, audit recommendations were agreed with management at the time of the audit along with an action plan to address the identified weaknesses. Follow up audits will be undertaken in each case to review the adequacy and effectiveness of the corrective action taken.
- 14.6. Five follow up visits were undertaken in 2015/16 to determine if recommendations raised within previous audit visits had been implemented. A summary of our findings can be found in Appendix D.
- 14.7. In total, 49 recommendations have been followed up, of which 39 were either fully implemented or no longer relevant, representing 80% of all those tested. If partially implemented recommendations are added this totals 96% of all those tested. This is an improvement since 2015/16. The follow up regime will continue, and will be expanded from April 2016 for a trial period to include all high and medium priority recommendations, so that it can continue to provide assurance going forward and the result of all follow ups will continue to be reported to the Audit Pensions and Standards Committee.
- 14.8. The results of our follow up work can be seen in appendix D.

Internal Audit Performance

- 14.9. Appendix B sets out pre-agreed performance criteria for the Internal Audit service. The table shows the actual performance achieved against targets. Overall performance of Internal Audit is broadly in line with 2015/16, with all targets being achieved or narrowly missed.
- 14.10. One target that was missed by 14% was to issue 95% of draft reports within 10 working days of the exit meeting. However the average time from exit meeting to draft report was 6 days.
- 14.11. Focus will be given to maintaining or improving these performance standards in 2016/17.

Compliance with CIPFA Public Sector Internal Audit Standards

- 14.12. Internal Audit has comprehensive quality control and assurance processes in place and we can confirm that we comply with the CIPFA Public Sector Internal Audit Standards. Our assurance is drawn from:
 - a) Quality reviews carried out by both the Hammersmith and Fulham Internal Audit section and Deloitte / Mazars;
 - b) An internal review in May 2015 against the new enhanced PSIA Standards.
 - c) An independent external review of the service against the PSIA Standards

Working with External Audit

- 14.13. The Council's external auditors do not intend to rely on the work of internal audit at this stage other than our work on the Managed Services Programme however they have asked for

copies of a number of audit reports issued in 2015/16. We have been in liaison with External Audit and will continue to offer information and support where requested.

Internal Audit Provision Going Forward

14.14. The following aspects will impact on the future delivery of the Internal Audit service:

- Shared working with Westminster and RBKC has led to increased coordination of the 2015/16 planning process across the three boroughs. This approach aims to increase the level of assurance received by each Council as well as better coordinating audit work across the three boroughs. Mazars has also been appointed as the sole outsourced internal audit provider for the three boroughs via call off contracts with the London Borough of Croydon. Previously two outsourced providers were used.
- As transformation projects and changes to service delivery continue to be undertaken, there is likely to be continued requirement for Internal Audit involvement in transformation projects and new initiatives at an early stage to provide both assurance and support but with the minimum of disruption.

APPENDIX A - Assurance Levels 01/04/2015 – 31/03/2016

The table below provides a summary of the assurances assigned to each of our audits. Where the direction of travel column is blank, no similar audit has previously been conducted.

		Audit Opinion				
Department	Audit	Nil	Limited	Satisfactory	Substantial	Issued
FINALISED						
Corporate / Finance	Corporate Procurement					16/10/2015
Corporate / Finance	Council Tax			↔		11/06/2015
Corporate / Finance	Call centre administration					01/09/2015
Corporate / Finance	Prevent					23/11/2015
Corporate / Finance	Concessionary Fares taxi cards & blue badges			↔		04/03/2016
Adult Social Care	Community Independence Service					09/03/2016
Adult Social Care	Project management: Customer Journey					09/03/2016
Adult Social Care	NHS S75 agreement (was Health - services integration)					27/01/2016
Adult Social Care	Mental Health Section 75 Agreement (was NHS Pooled Budgets)					27/01/2016
Children's Services	Askam Contact Centre					25/01/2016
Children's Services (School)	All Saints C of E Primary			↔		19/10/2015
Children's Services (School)	Avonmore Primary School			↔		04/03/2016
Children's Services (School)	Brackenbury Primary School	←				05/02/2016
Children's Services (School)	Kenmont Primary School		↔			29/10/2015
Children's Services (School)	St Mary's RC Primary School			↔		13/07/2015
Children's Services (School)	St.Stephen's C of E Primary			↔		23/02/2016
Children's Services (School)	Sullivan Primary School			↔		26/10/2015
Children's Services (School)	Wood Lane High School			↔		13/07/2015
Transport and Technical Services	Premises Licensing		←			10/12/2015
Transport and Technical Services	H&S and Food safety (Bibo)					07/12/2015

		Audit Opinion				
Department	Audit	Nil	Limited	Satisfactory	Substantial	Issued
Environment Leisure and Residents Services	Registrars			→		18/11/2015
Environment Leisure and Residents Service	Grounds Maintenance Contracts					25/11/2015
Environment Leisure and Residential Services	Mortuary Service					24/05/2016-
Corporate / Finance	Departmental Risk Management - ELRS					31/05/2016
Corporate / Finance	Election Expenses				→	11/05/2016
Corporate / Finance	Risk Management Compliance Review					13/05/2016
Housing and Regeneration	Garages					13/01/2016
Housing and Regeneration	Housing Revenue Account			↔		16/03/2016
Housing and Regeneration	Strategic Housing Stock Options Appraisal					11/12/2015
Housing and Regeneration	Housing strategy: housing demand					11/02/2016
Housing and Regeneration	Temporary Accommodation Procurement					22/09/2015
Housing and Regeneration	Tenancy Management					24/08/2015
Housing and Regeneration	Housing Rents			↔		24/05/2016
IT	IDOX IT System (H&F)					05/02/2016
IT	IT Disaster Recovery arrangements			→		05/11/2015
Managed Services	MSP - High Level Review of Controls					24/03/2016
Managed Services	Implementation Planning					26/01/2016
Public Health	Joint Strategic Needs Assessment					14/04/2016
Transport and Technical Services	Building Control					31/05/2016
Environment Leisure and Residential Services	Service Review: Parks Police					26/05/2016
Draft						
Housing and Regeneration	Terminations, transfers and exchanges					27/04/2016
Children's Services (Schools)	Cambridge School			→		15/04/2016

		Audit Opinion				
Department	Audit	Nil	Limited	Satisfactory	Substantial	Issued
Adult Social Care	Transition Young People to Adults					08/04/2016
Corporate / Finance	Departmental Risk Management - Corporate Services					22/04/2016
Corporate / Finance	Corporate and Partnership Governance			↔		21/04/2016
Corporate / Finance	Asset Management			↔		21/04/2016
Children's Services (School)	Fulham Primary School					22/01/2016
Children's Services (School)	Pope John RC Primary School			↔		18/11/2015
Environment Leisure and Residents Services	Recycling and Waste Reduction					04/04/2016
Housing and Regeneration	MITIE Health and Safety Checks					25/11/2015
Corporate / Finance	Managed Services - Interfaces		*			13/05/2016
In Progress						
Corporate / Finance	Housing Benefit					-
Corporate / Finance	NNDR					-
Adult Social Care	Continuing Healthcare Funding					-
Adult Social Care	Departmental Governance					-
Children's Services	Departmental Governance					-
Children's Services	Departmental Performance Management					-
Public Health	Departmental Governance					-
Total		2	7	37	4	

Total Reports (including those not yet issued)	57
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* Assurance opinion of Limited at draft report stage, but currently in dispute.

In addition to the work detailed above, the table below provides a summary of the assurances assigned to each audit undertaken by the RBKC or WCC internal audit teams that relate to shared services functions involving LBHF.

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
FINALISED						
Adult Social Care	S117 Mental health Care					30/09/2015
Children's Services	Adoption and Fostering					15/09/2015
Corporate	Business Intelligence					19/11/2015
Corporate	Contracts Register	←				06/01/2016
Environment, Leisure and Residents Services	Commercial Waste			↔		13/10/2015
Housing and Regeneration	Right To Buy			↔		01/03/2016
Corporate	Software Licensing					10/02/2016
Corporate	Third Party Remote Access					29/01/2016
Corporate	Cyber Security					25/01/2016
Transport and Technical Services	Carriage and Footway Maintenance			↔		08/12/2015
DRAFT						
Children's Services	Schools Health and Safety					10/03/2016
Public Health	Sexual Health Service Delivery					11/04/2016
Total		1	1	8	0	

A split opinion was issued for Commercial waste. Satisfactory assurance was provided for Operations and Limited Assurance for Income Management due to the impact of Managed Services.

A split opinion was issued for Commercial was. Satisfactory assurance was provided for Operations and Limited Assurance for payments to contractors and claims to TFL due to the impact of Managed Services.

Assurance Levels

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

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.

Direction of travel

→	Improved since the last audit visit. Position of the arrow indicates previous status.
←	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
↔	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

APPENDIX B - Internal Audit Performance – 2015/16

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Authority. The table below shows the actual and targets for each indicator for the period.

	Performance Indicators	Annual Target	Performance	Variance
1	% of deliverables completed (2014/15)	95%	93%	-2%
2	% of planned audit days delivered (2014/15)	95%	96%	+1%
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	98%	+3%
4	% of Draft reports issued within 10 working days of exit meeting	95%	81%	-14%
5	% of Final reports issued within 5 working days of the management responses	100%	100%	-

* Average time to issue draft report following exit meeting was 6.2 days against the target of 10 days

APPENDIX C: Internal Audit work for which an assurance opinion was not provided


The table below provides a summary of the scope and key findings of audit work for which no overall assurance opinion was provided.

Department	Audit	Issued
Final		
Corporate/Finance	IT Contract Documentation	26/06/2015
Corporate/Finance	MS Licence Procurement	04/06/2015
Environment Leisure and Residential Services	Lessons Learnt – Janet Adegoke Pool and Phoenix Gym	18/11/2015
Adult Social Care	Better Care Fund	15/04/2016
Children’s Services	Schools Thematic Review – Information Security	04/04/2016

APPENDIX D - Follow up Audits

Follow visits were undertaken in 2015/16 on the following audits that received a 'Limited' or 'Nil' assurance opinion in their audit visit. The number of recommendations found to be implemented was as follows:

Department	Audit	Recommendations	Implemented	Partly Implemented	Not implemented	No longer applicable
Corporate	Supply Chain Resilience	7	4	2	1	-
Adult Social Care	ASC Risk Management	7	4	2	1	-
Children's Services	St Thomas Canterbury School	19	19	-	-	-
Children's Services	Jack Tizard School	12	10	2	-	-
Corporate	Follow up of High Priority Recommendations	4	2	2		
	Total	49	39	8	2	-
	%		80%	16%	4%	-

<p>London Borough of Hammersmith & Fulham AUDIT, PENSIONS AND STANDARDS COMMITTEE 15 June 2016</p>		
<p>INTERNAL AUDIT CHARTER AND STRATEGY – 2016 REVIEW</p>		
<p>Report of the Director for Audit, Fraud, Risk & Insurance</p>		
<p>Open Report</p>		
<p>Classification: For Information Key Decision: No</p>		
<p>Wards Affected: None</p>		
<p>Responsible Director: Moyra McGarvey, Director for Audit, Fraud, Risk & Insurance</p>		
<p>Report Author: Geoff Drake, Senior Audit Manager</p>		<p>Contact Details: Tel: 0208 753 2529 E-mail: geoff.drake@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This provides an updated version of the Internal Audit Charter and Strategy following a 2016 year review. While there are a few minor word changes this is almost entirely unchanged from the version reported to the Committee a year ago.

2. RECOMMENDATIONS

- 2.1. To note the contents of this report

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

None.

LIST OF APPENDICES:

Appendix 1 – Internal Audit Charter

H&F Internal Audit Charter

This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards.

The Charter will be reviewed annually and presented to the H&F Business Board and to Audit, Pensions and Standard Committee to note.

Definition

Internal Audit is defined by the Public Sector Internal Audit Standards (PSIAS) as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

The Director of Audit, Fraud, Risk and Insurance is designated as the 'Head of Internal Audit' for the purposes of the PSIAS and this charter.

The Director of Finance is designated as the 'Chief Finance Officer' for the purposes of this charter.

The Audit, Pensions and Standards Committee are designated as the 'Board' for the purposes of this charter.

The Hammersmith and Fulham Business Board are designated as 'Senior Management' for the purposes of this charter.

Purpose

Internal audit provides independent and objective assurance to the London Borough of Hammersmith and Fulham through its Members, the Hammersmith & Fulham Business Board, and in particular to the Chief Financial Officer to help discharge responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

In addition, the Accounts and Audit Regulations 2015 specifically require a relevant authority (ie LBHF) to undertake an effective internal audit to evaluate the effectiveness of its risk management and control and governance processes.

Authority and Access to Records

The Internal Audit function has unrestricted access to all Council records and information, both manual and computerised, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. Audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Council should be set out in the conditions of funding.

The Internal Audit function will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit

work that has been finalised, which External Audit would need to discharge their responsibilities.

Responsibility

The Audit, Pensions and Standards Committee

The highest level of governing body is the Audit, Pensions and Standards Committee and is charged with the responsibility to direct and/or oversee the activities and management of the Council.

The Audit, Pensions and Standards Committee will advise the Executive on:

- the strategic processes for risk, control and governance and the Statement of Internal Control;
- the accounting policies and the annual accounts of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- the adequacy of management responses to issues identified by audit activity, including the external auditor's annual letter
- the Chief Internal Auditor's annual assurance report and the annual report of the External Auditors.
- assurances relating to the corporate governance requirements for the organisation;
- (where appropriate) proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services.

Director of Internal Audit

The Council's Head of Internal Audit (The Director of Internal Audit) is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the Audit, Pensions and Standards Committee, on the adequacy and the effectiveness of the internal control system for the whole Council.

Objectives

In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes

- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.
- To provide advice and support to management to enable an effective control environment to be maintained
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud
- To investigate allegations of fraud, bribery and corruption

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

Where appropriate, Internal Audit may undertake audit or consulting work for the benefit of the Council in organisations wholly owned by the Council, such as Joint Venture Companies. Internal Audit may also provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

Reporting

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Strategy and Charter and any amendments to them are reported to the Hammersmith and Fulham Business Board (HFBB) who act as the Corporate Management Team and the Audit, Pensions and Standards Committee (APSC).
- The annual Internal Audit Plan is compiled by the Head of Internal Audit taking account of the Council's risk framework and after input from members of HFBB. It is then presented to HFBB and APSC at least annually for noting and comment.
- The internal audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the APSC. The approach to providing resource is set out in the Internal Audit Strategy.
- Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to HFBB and APSC on a quarterly basis.
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the APSC.
- Results from internal audit's Quality Assurance and Improvement Programme will be reported to both HFBB and the APSC.
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to HFBB and the APSC and will be included in the

annual Head of Internal Audit report. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

Independence

The Head of Internal Audit (the Director of Audit) has free and unfettered access to the following:

- Chief Financial Officer
- Chief Executive
- Chair of the Audit, Pensions and Standards Committee (APSC)
- Monitoring Officer
- Any other member of the Hammersmith & Fulham Business Board

The independence of the Head of Internal Audit is further safeguarded by ensuring that the annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the APSC have the opportunity to contribute to, and/or review the appraisal of the Head of Internal Audit.

All Council and contractor staff in the shared Internal Audit service are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the APSC. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

Internal Audit must remain independent of the activities that it audits to enable auditors to make impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibilities towards the systems and functions audited.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Director of Internal Audit has the freedom to report without fear or favour to all officers and members, and particularly to those charged with governance.

Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

Counter Fraud, Corruption and Irregularity

Managing the risk of fraud and corruption is the responsibility of management. Internal audit procedures alone cannot guarantee that fraud or corruption will be prevented or detected. Auditors will, however, be alert in their work to risks and exposures that could allow fraud, corruption or other irregularity.

The Council has a Corporate Anti-Fraud Service as part of the shared Internal Audit Service and a protocol for close working relations with Internal Audit. The policies and procedures of the Corporate Fraud Service are detailed in the Council's Anti-Fraud and Corruption Strategy and risks identified in the Counter Fraud and Bribery Risk Assessments.

The role of the Contracted-Out Service

The Contractor shall provide the Services in accordance with the provisions of the Contract.

In relation to the performance of the Services, the Contractor or its Operatives carrying out such Services:

- in a good, safe, skilful and efficient manner
- in accordance with all relevant provisions of the Contract Documents and Specification.
- in accordance with all applicable statutes, statutory instruments, rules, regulations and byelaws.
- in a manner which meets all applicable financial standards specified by the Council.
- in a manner which shall promote and enhance the image and reputation of the Council.
- in accordance with all applicable standards set by the British Standards Institute and equivalent EC Standards and all applicable professional and financial authorities
- in accordance with Good Industry Practice.

The Relationship of Head of Internal Audit (the Director of Audit) and the Contractor

The Authorised Council Officer responsible for the management of the contract shall be the Director of Audit who may delegate day to day management to a nominated Responsible Officer.

Relationship between the Council and the Contractor

The Contract governs the relationship between the Council and the Contractor in respect of the provision of the Services by the Contractor to the Council and to any other Councils.

The Contractor is responsible and accountable to the Director of Audit and their nominees for the provision of the audit service that they are contracted to provide. The Director of Audit is responsible and accountable to the Section 151 Officer, the Business Board as the Council's Executive and to the Audit, Pensions and

Standards Committee for the Audit Service including the service provided by the Contractor.

Due Professional Care

The Internal Audit function is bound by the following standards:

- The Chartered Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- UK Public Sector Internal Audit Standards.
- All Council Policies and Procedures
- All relevant legislation

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. Both the Director of Audit and the Senior Audit Manager are required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

Audit Strategy

Scope

Strategic planning, audit planning, documenting, evaluating, testing and reporting are phases within audit process.

Process

1. The internal audit process can be seen on the following diagram:



Strategy

This Strategy sets out how the Council's Internal Audit service will be developed and delivered in accordance with the Internal Audit Charter.

The Strategy will be reviewed annually and presented to the Audit, Pensions and Standards Committee and to Hammersmith & Fulham Business Board for approval.

Internal Audit Objectives

Internal Audit will provide independent and objective assurance to the organisation, its Members, Hammersmith & Fulham Business Board and in particular to the Chief Financial Officer in support of discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

It is the Council's intention to provide a best practice, cost efficient internal audit service.

Internal Audit's Remit

The internal audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the council's objectives.

Under the direction of a suitably qualified and experienced Head of Internal Audit (the Director for Audit, Fraud, Risk and Insurance), Internal Audit will:

- Provide management and Members with an independent, objective assurance and consulting activity designed to add value and improve the Council's operations.
- Assist the Audit, Pensions and Standards Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance service and;
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it does not deliver the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice.

Service Delivery

The Service will be delivered by a mixture of in-house staff and the Council's internal audit partner (currently Mazars) under the direction of the Council's Head of Internal Audit.

The Internal Audit Service is a shared Service hosted by the Royal Borough of Kensington and Chelsea. The audit service is currently working with the Royal Borough of Kensington and Chelsea and Westminster City Council, to deliver audit reviews across the services that are shared services. Sovereign audits will continue on services that remain solely H&F.

Internal Audit Planning

Audit planning will be undertaken on an annual basis and audit coverage will be based on the following:

- Discussions with Hammersmith and Fulham Business Board and management.
- Discussions with shared services Executive Directors.
- The shared services and Sovereign risk registers
- Outputs from other assurance providers
- Requirements as agreed in the joint working protocol with External Audit

Management views and suggestions are taken into account when producing the audit plan and the Head of Internal Audit will ensure feedback from or attendance at Departmental Management Team meetings will take place as part of the annual planning process

The Internal Audit Plan 2016-17 was based on the following:

- **Risk Based Systems Audit:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they operating correctly. The selection of work in this category is driven by Departments' own risk processes and will increasingly include work in areas where the Council services are delivered in partnership with other organisations.

Internal Audit planning is already significantly based on the shared service and Sovereign risk registers. The move to a shared risk resource will continue to have a significant role in risk management with audit planning being focused by risk and the results of audit work feeding back into the risk management process to form a 'virtuous circle'.

- **Key Financial Systems:** Audits of the Council's key financial systems including any additional work where External Audit require annual assurance as part of their external audit work programme.
- **Probity Audit (schools & other establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice are confirmed. For schools this includes assessment against the Schools Financial Value Standard.
- **Computer Audit:** The review of ICT governance, infrastructure and associated systems, software and hardware.

- **Contract Audit:** Audits of the procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Fraud and Ad Hoc Work:** The Corporate Anti Fraud Service, within the Internal Audit function, will continue to investigate any fraud and irregularity arising during the year. Internal Audit may undertake additional work due to changes or issues arising in-year.

Follow-up

Internal Audit will evaluate the Council's progress in implementing audit recommendations against set targets for implementation. Progress will be reported to the Audit, Pensions and Standards Committee on a regular basis.

Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management and the Audit Pensions and Standards Committee.

Reporting

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work and in summary to departmental and corporate management on a quarterly basis. Summary reports are also provided to the Audit, Pensions and Standards Committee four times per year. This includes the Head of Internal Audit's annual report which contributes to the assurances underpinning the Annual Governance Statement of the Council.

Reviewed and Agreed

Date	Reviewed by	Position	Authorised by	Position
April 2016	Geoff Drake	Senior Audit Manager	Moyra McGarvey	Director of Audit
April 2015	Geoff Drake	Senior Audit Manager	Moyra McGarvey	Director of Audit
May 2014	Geoff Drake	Senior Audit Manager	Moyra McGarvey	Director of Audit
May 2013	Michael Sloniowski	Shared service Risk Manager	Geoff Drake	Chief Internal Auditor
March 2012	John Kanés	Internal Audit Manager	Geoff Drake	Chief Internal Auditor
March 2011	John Kanés	Internal Audit Manager	Geoff Drake	Chief Internal Auditor
March 2010	John Kanés	Internal Audit Manager	Geoff Drake	Chief Internal Auditor