

AUDIT COMMITTEE

Thursday, 16 November 2017 at 7.00 p.m.

C1, 1st Floor, Town Hall, Mulberry Place,
5 Clove Crescent, London, E14 2BG

This meeting is open to the public to attend.

Members:

Chair: Councillor Candida Ronald

Vice-Chair: Councillor Danny Hassell

Councillor Ayas Miah, Councillor Ohid Ahmed, Councillor Andrew Wood and Councillor Rabina Khan

Deputies:

Councillor Rajib Ahmed, Councillor Shiria Khatun, Councillor Marc Francis, Councillor Harun Miah, Councillor Craig Aston and Councillor Shafi Ahmed

[The quorum for this body is 3 Members]

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APOLOGIES FOR ABSENCE

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST (Pages 5 - 8)

To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992. See attached note from the Monitoring Officer.

2. MINUTES OF THE PREVIOUS MEETING(S) (Pages 9 - 18)

To confirm the minutes of the Audit Committee held on 27th September 2017.

3. KPMG ITEMS FOR CONSIDERATION

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 Review of Internal Audit, Counter Fraud & Risk Management

There will be a presentation on this item.

| | |
|---|------------------|
| 4.2 Whistleblowing – New policy and processes | 19 - 74 |
| 4.3 Corporate Anti-Fraud Team Outturn 2016-17 report | 75 - 82 |
| 4.4 National Fraud Initiative 2016 Progress | 83 - 88 |
| 4.5 Treasury Management Mid-Year Report 2017/18 | 89 - 114 |
| 4.6 Audit Forward Plan | 115 - 116 |

5. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

Next Meeting of the Committee:

Tuesday, 23 January 2018 at 7.00 p.m. to be held in the C1, 1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

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Agenda Item 1

DECLARATIONS OF INTERESTS - NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Members' Code of Conduct at Part 5.1 of the Council's Constitution.

Please note that the question of whether a Member has an interest in any matter, and whether or not that interest is a Disclosable Pecuniary Interest, is for that Member to decide. Advice is available from officers as listed below but they cannot make the decision for the Member. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending a meeting.

Interests and Disclosable Pecuniary Interests (DPIs)

You have an interest in any business of the authority where that business relates to or is likely to affect any of the persons, bodies or matters listed in section 4.1 (a) of the Code of Conduct; and might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or a person with whom you have a close association, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected.

You must notify the Monitoring Officer in writing of any such interest, for inclusion in the Register of Members' Interests which is available for public inspection and on the Council's Website.

Once you have recorded an interest in the Register, you are not then required to declare that interest at each meeting where the business is discussed, unless the interest is a Disclosable Pecuniary Interest (DPI).

A DPI is defined in Regulations as a pecuniary interest of any of the descriptions listed at **Appendix A** overleaf. Please note that a Member's DPIs include his/her own relevant interests and also those of his/her spouse or civil partner; or a person with whom the Member is living as husband and wife; or a person with whom the Member is living as if they were civil partners; if the Member is aware that that other person has the interest.

Effect of a Disclosable Pecuniary Interest on participation at meetings

Where you have a DPI in any business of the Council you must, unless you have obtained a dispensation from the authority's Monitoring Officer following consideration by the Dispensations Sub-Committee of the Standards Advisory Committee:-

- not seek to improperly influence a decision about that business; and
- not exercise executive functions in relation to that business.

If you are present at a meeting where that business is discussed, you must:-

- Disclose to the meeting the existence and nature of the interest at the start of the meeting or when the interest becomes apparent, if later; and
- Leave the room (including any public viewing area) for the duration of consideration and decision on the item and not seek to influence the debate or decision

When declaring a DPI, Members should specify the nature of the interest and the agenda item to which the interest relates. This procedure is designed to assist the public's understanding of the meeting and to enable a full record to be made in the minutes of the meeting.

Where you have a DPI in any business of the authority which is not included in the Member's register of interests and you attend a meeting of the authority at which the business is considered, in addition to disclosing the interest to that meeting, you must also within 28 days notify the Monitoring Officer of the interest for inclusion in the Register.

Further advice

For further advice please contact:-

Asmat Hussain, Corporate Director, Governance and Monitoring Officer. Tel: 2017 364 4800

APPENDIX A: Definition of a Disclosable Pecuniary Interest

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

| Subject | Prescribed description |
|---|---|
| Employment, office, trade, profession or vacation | Any employment, office, trade, profession or vocation carried on for profit or gain. |
| Sponsorship | <p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p> |
| Contracts | <p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p> |
| Land | Any beneficial interest in land which is within the area of the relevant authority. |
| Licences | Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer. |
| Corporate tenancies | <p>Any tenancy where (to the Member's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p> |
| Securities | <p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p> |

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.06 P.M. ON WEDNESDAY, 27 SEPTEMBER 2017

C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT,
LONDON, E14 2BG

Members Present:

Councillor Candida Ronald (Chair)
Councillor Danny Hassell
Councillor Ohid Ahmed
Councillor Andrew Wood
Councillor Rabina Khan

Apologies:

Councillor Ayas Miah

Officers Present:

Tamsin Bookey
Zena Cooke
Adrian Gorst
Asmat Hussain

Shazia Hussain
Minesh Jani

Kevin Miles
Neville Murton

Roy Ormsby
Tony Qayum

Brian Snary
Anthony Sotande-Peters

Farhana Zia

Heritage Manager
Corporate Director, Resources
Divisional Director, IT
Corporate Director, Governance and
Monitoring Officer
Divisional Director, Customer Services
Head of Audit and Risk Management,
Resources
Chief Accountant, Resources
Divisional Director, Finance,
Procurement & Audit
Divisional Director, Public Realm, Place
Anti-Fraud Manager, Risk Management ,
Resources
Financial Accountant - Resources
Interim Strategic Risk Advisor, Risk
Management and Audit
Committee Services Officer

1.1 ORDER OF BUSINESS

The Chair Councillor Candida Ronald MOVED and Councillor Danny Hassell seconded the request to change the order of business as follows:

Housekeeping items 1.2 and 1.3 to be taken first; then item 4.2 to be considered followed by item 3 – KPMG Presentation plus item 4.1 – Annual Financial Reports.

Thereafter item 2 – Minutes of the previous meeting, followed by the remaining items on the agenda items 4.3 to 4.6.

The reason for changing the order of business was to allow officers in attendance to feedback on their service areas before Committee Members considered other reports on the agenda.

1.2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Ayas Miah.

Cllr Ohid Ahmed gave apologies for leaving the meeting early at 8:30 p.m.

1.3 DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of discloseable pecuniary interest were disclosed by the Members.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes from the 28th June 2017 were agreed to be an accurate record of the meeting and were signed off by the Committee.

Matters Arising

Page 8 – Action point. Has this action been completed?

Page 9 – Can Members have sight of the spreadsheet log?

Page 12 – When will Children Services be invited to attend Audit?

3. KPMG ITEMS FOR CONSIDERATION

Mr Andrew Sayers and Mr Antony Smith from KPMG gave a presentation to the Committee giving their audit opinion on the Council's financial statements. Mr Sayers said there were no substantive changes to the account from previous years and the account was ready to be signed off.

He made clear KPMG provided independent opinion on the Council's financial situation and looked at two areas: Financial Statements audit and Value for money. He said from page 24 onwards the significant audit risk were listed and details on the significant risk based on value for money commenced from page 34 of the agenda pack.

Members of the Committee asked the following questions:

- Page 38 refers to Grant payments and states “a value of £152,000 has been identified by the Council as being unlawful due to the lack of formal property agreement being in place”. Have you looked at all the documentation to determine why this is?

This was one of the conditions placed on Grant funding by the Commissioners and the Council has reviewed organisations receiving funding who are based in council buildings and have ensured a property lease or license is in place before monies are released as a grant payment.

- In reference to Page 28, Youth Services it states “reviews have uncovered historical shortcomings and wide spread malpractice”. It would be helpful to know how many cases have been referred to the Police for action and have resulted in convictions plus a summary of the types of malpractice which took place and action taken by the council to resolve it.
Zena Cooke, Corporate Director for Resources said it was difficult to provide information on Police action as they have a higher threshold or burden of proof to form a case against individuals however the Council had taken action through identifying malpractice, tighten up policy and procedures plus following HR processes relating to the dismissal of staff where appropriate.
 - **ACTION:** A summary report to be provided listing the types of malpractice uncovered and the action taken.
- In reference to Page 26, Section 106 agreements, are we getting value for money for section 106 spending? Some of the projects or areas identified seem not to have benefitted from the monies. They appear to be the same.
- Page 35, refers to a value for money conclusion on an ‘except four’ basis... What does this mean?
 - **ACTION:** Officer to produce a report showing in table format the risks identified in the KPMG report and the action taken to improve audit processes and change culture of services in the long term.

Members of the Audit Committee **NOTED** the presentation and thanked the KPMG Officers for attending the meeting.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 Annual Financial Report 2016-17

Kevin Miles, Chief Accountant for Corporate Finance presented the Annual Financial Reports for 2015/16 and 2016/17. He said the report was interlinked with the KPMG reports to those charged with Governance 2015/16 and 2016/17.

Kevin Miles stated the report comprised of a narrative report from the Corporate Director for Resources and the audited Statement of Accounts and Annual Governance Statement.

Members had no further questions relating to this report and moved to **NOTE**

1. The auditor’s 2015/16 final report to those charged with governance for 2015/16 and the letter of representation for 2015/16;

2. Approve the Annual Financial Report including the Statement of Accounts for the financial year ending 31st March 2017, having regard to the auditor's Annual Governance Report and the letter of representation 2016/17.
3. Note that the draft Annual Financial Report for 2017/18 will be published by 31st May 2018 and the audit opinion is to be provided by 31st July 2018.

The Chair, Councillor Candida Ronald thanked Kevin Miles and his team for their hard work in producing the Annual Financial Statement.

4.2 Quarterly Internal Audit Assurance Report

Minesh Jani, Divisional Director for Risk Management presented the Quarterly Internal Audit Report covering the period of July 2017 to August 2017.

The report set out the assurance rating for each audit finalised in the period and gave an overall assurance rating. He made reference to page 186 and the table which showed the total number of audits conducted and the assurance level they had achieved. He also referred Members to the table on page 187, 6.1 which showed how the internal audit service was performing against KPI indicators and the targets achieved.

Minesh Jani informed the committee the Council would cease using Mazars, for auditing council services and this would lead to a slight dip in performance over the next quarter. However he was hopeful to recover the position before the end of the financial year.

He said 30% of services had achieved 'limited' assurance and Officers from the services' were present to answer questions from Members.

Members of the Committee asked the following questions in relation to the report itself.

- Are recommendations classified as Priority 1, reported to the Corporate Leadership Team?

The Audit Committee heard further from Officer in the following services:

Control and Monitoring of Declarations of Interests by Council Staff

Zena Cooke, Corporate Director for Resources on behalf of Heather Daley, Divisional Director for HR and Transformation informed Committee Members the control weaknesses identified by Internal Audit had been addressed. She said all staff had been made aware of completing the Declarations form via the HR self-service system and Managers had received training on identifying potential conflicts of interest. Inaccuracies and relationships between officers had to be declared, so to safeguard the organisation.

Members made the following comments:

- Did the 23 declarations tested, page 191 uncovered any conflict of interest or family relationships?
Zena Cooke responded saying the irrespective of where staff were working, declarations of interest had be completed, ensuring the procedural record was correct and each individual had been risk assessed against the criteria. Declarations were part of the HR process and staff including interim staff, are required to update the record.
- Do members of staff understand why they are asked to complete the declaration of interest form?

Street Lighting

Roy Ormsby, Service Head of Public Realm stated the service had undergone a restructure and vacancies within the service had been advertised. The new PSI system had been procured and was bedding in. Two Performance Boards had been set up with the respective Portfolio Leads, which would look at performance management issues. Policy and procedures were looked at as part of the restructure and as such he was confident that with the resources identified the team would be compliant against the assurances identified.

Roy Ormsby offered to come back to the Committee in six months to report on the progress made.

Members made the following comments:

- Members of the Committee **AGREED** to review the service in six months.

Highways, Repairs and Maintenance

Roy Ormsby, Service Head of Public Realm informed Members not much progress had been made against the recommendations identified in the Internal Audit Report. He said the restructure of the service had only just been completed and it would take time for new policies and procedures to bed in. The PSI system which would allow officers to access files and records remotely from hand held devices required time to align within the service.

He requested if he could come back in six months to report on the progress made.

Members made the following comments:

- Members enquired why six months was required and wanted to see plans for the service and action taken to mitigate the risks before then.
- **ACTION:** Officers agreed to provide performance information to the Committee by the next meeting with the proviso the Service showed improvement against the recommendations identified in the Internal Audit Report.
- Members **AGREED** the Service should report back to the Audit Committee in six months on the progress made.

Tower Hamlets Local History Library and Archives (THLHLA)

Shazia Hussain, Divisional Director for Customer Service reported the Service had made progress against all the internal audit recommendations within their purview. Gaps in control such as record keeping had been addressed and

discussion about expanding the strongroom, were ongoing with feasibility studies being conducting to secure a better facility/location.

The backlog of cataloguing items was still an issue however a growth bid had been made to secure more resource. With respect to recommendation 5 it was difficult for the Council to insure all items, although the most expensive item in the collection was insured. Shazia Hussain said this was an issue that had been escalated corporately however the preservation of the collection is an expensive business.

Members made the following comments:

- Members appreciated it would be difficult to insure every item in the collection.
- With regard to recommendation 6, had the development of the Civic Centre been considered as an option to resolve the issue of a strongroom?
Shazia Hussain responded that the Civic Centre as an option had been considered however which ever option was favoured, after the feasibility studies had been completed, it would no doubt be costly.
- Could Section 106 monies be used to address the issue of resource?
- Great to see the service has National Accreditation. Can Heritage Lottery Funding be accessed to catalogue the collection?

Client Monitoring of ICT Contract

Adrian Gorst, Divisional Director for IT stated progress was being made against the risks identified by Internal Audit. He said he has monthly meetings with Agilisys regarding KPI's and it's been made clear information needs to be provided on time.

He said the challenges faced by the service were great however through delivering the transformation plan and the service improvement plan progress was being made. The contract handbook has been updated so it was clear to the Council and Agilisys of what was required.

Adrian Gorst said he would have a better view of how the service was performing by December 2017.

Members made the following comments

- It would appear as a Local Authority, contracts are not managed robustly.
- Do Agilisys incur financial penalties, if they do not fulfil the requirements of the contract?
- **ACTION:** Can a report come to Audit on large contracts – i.e. top 10 contracts, showing how much money is involved, how contractors are performing, the penalties they incur and action taken to mitigate risk to the Council.
- There is an acceptance this contract was poorly written. Do you think a cultural change is required to address the management of contracts?

- Members **AGREED** the service should report back to the Audit Committee in January 2018.

Acting up and Honoraria Payments

Zena Cooke, Corporate Director for Resources addressed Committee on behalf of Heather Daley, Divisional Director for HR and Transformation. Zena Cooke said gaps had been found in how documentation for Acting up and Honoraria payments are kept and this was being addressed. HR was reviewing its policies and procedures and the criteria for determining the basis of payment of an acting up allowance or honorarium payment, including the limit on Managers authorising payments had been tightened, with escalation to Corporate Directors if an acting arrangement exceeded 12 months.

Members made the following comments:

- Is the service confident it can hold to account Managers authorising such payments?
- How were payments made without authorisation?
- In reference to page 202, can you explain why there is a big jump in the amount of Honoraria payments?
- **ACTION:** Members of the Committee **NOTED** the explanation given with regard to Acting up and Honoraria payments however requested an update be provided on Overtime payments.

Registrar's Office Follow up

Asmat Hussain, Corporate Director for Governance stated that of the five recommendations made by Internal Audit, two had been partially implemented and three were outstanding. Since her appointment, she has instigated a review of the service, as part of a wider restructure and has devised an action plan to address the recommendations.

Asmat Hussain stated she believed the 'limited' assurance was generous as in her view the service should have received a 'nil' return. She offered to return to the Committee in six months to report on the progress made.

Members made the following comments:

- Members of the Committee **AGREED** to review the service in six months.

4.3 Draft Annual Governance Statement 2016/17

Minesh Jani, Divisional Director for Risk Management stated the Council was required to publish its Annual Governance Statement, under the Accounts and Audit Regulations 2015. He said the draft statement for 2016/17 reviewed the governance issues raised in the 2015/16 statement and tested the effectiveness of the Council's governance arrangements.

Minesh Jani, referred members to the governance issues identified in the 2015/16 statement, pages 240-242 and asked Members to note the current status of each issue. The 2016/17 statement began at page 244 onwards.

Members of the Committee made the following suggestions and comments relating to the Annual Governance Statement:

- In reference to page 254, point 3.20 this needs to be highlighted at the beginning of the statement rather than in the middle of the report.
- In reference to page 256, the Ofsted assessment of children services, what does the governance process learn from the assessment and how does it challenge the organisational culture?
- How is the performance and implementation of recommendations tested in the timely and relevant way?
- Can the Local Plan also be referenced in the statement?
- With regards to the organisational culture – what does this mean? Need a clear definition and clear pathway as to where we want the organisation to be.

Minesh thanked Members for their input and said he will ensure this is reflected in the Annual Governance Statement.

The Audit Committee **NOTED** the report and

1. Agreed the draft Annual Governance Statement for the financial year 2016/17 at appendix 1

4.4 Annual Risk Management Report 2017/18 and Q2 Risk Management Update

Minesh Jani, Divisional Director for Risk Management introduced this report and updated Members on the Corporate Risk register. He referred Members to Page 262 and the table at 5.2 which showed the number of corporate risks by directorate for quarter 2 2017/18.

In addition he referred Members to the table at 5.3, page 263, which showed the number of risks associated with corporate priorities.

He said the Audit team needed to win the 'hearts and minds' of officers with regards to the importance of having correct policy and procedures in place and recording risks on the risk register.

Members of the Committee asked the following questions:

- **ACTION:** With regards to Page 273, death and serious harm to children can anonymised information be provided to the Members regarding what lead to the death or serious harm and what action has been taken since the review?

- Can fire safety be added to the Corporate Risk register as discussed at the last meeting of the Audit Committee?
This will be included in the report for the next quarter – quarter 3.
- Do you monitor the effect of staff turnover and interim appointments on areas which have been identified on the risk register?

Members of the Committee **NOTED** the report and recommendations:

1. To note the corporate risks and recommend changes and updates where necessary;
2. Note the contents of the Annual Risk Management Report 2017/18 and agree the actions at section 9 of the report;
3. Request risk owner(s) requiring further scrutiny provide detailed update on the treatment and mitigation of the risk including impact on the corporate objectives at its December meeting;
and
4. Determine if risks on the corporate risk register are a significant threat to the achievement of corporate objectives or the performance of activities to satisfy core statutory obligations.

4.5 Treasury Management Quarterly Update Report (April 2017 - June 2017)

Kevin Miles, Chief Accountant Corporate Finance presented the Treasury Management Quarterly Update Report (April 2017 to June 2017).

He informed Members the report advised on the Council's borrowing and investment activities for the quarter and provided a summary of the Prudential and Treasury indicators as well as a summary on the credit criteria. The report also provided information on the projected investment returns.

In particular, Kevin Miles referred Members to point 1.1 and said the Council was working with its new Treasury Management Consultants – Arlingclose to ensure the Council achieved the optimum returns for its investments.

In addition Mr Miles referred Members to point 3.8 stating Local Authorities must be classified as 'retail clients' unless they have opted up by firms to an 'elective professional client' status.

Members of the Committee asked the following questions:

- In reference Page 3, point 3.3.3 the General Election took place in June 2017 and this needs to be updated.
- In reference to Page 6, point 3.4.13 why are equity funds being considered? Members thought the Council was moving away from equity funds.

The Audit Committee **NOTED** the recommendation to

1. Note the contents of the treasury management activities and performance targets for the quarter ending 30th June 2017;
2. Note the Council's outstanding investments which are an outstanding balance of £501.9m at 30th June 2017 which includes £50m, pension fund cash awaiting investment (appendix 2)
3. Note the potential impact on the Council of becoming a retail client with effect from 3rd January 2018 as set out at section 3.8; and
4. Note the protections available to retail clients that the Council will forgo as a result of opting up to professional client (appendix 4).

4.6 Internal Audit Forward Plan

Minesh Jani, Head of Risk Management referred Members to the forward plan and asked them to note the report.

He said the Annual Schools report 2016/17 and the Annual Fraud Report 2016-17 would be coming to the next meeting, as will the risk report on Children Services.


Members of the Committee **NOTED** the forward plan

5. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

The Chair, Councillor Candida Ronald reminded members the next meeting of the Audit Committee was scheduled for Thursday, 16th November 2017 at 7:00 p.m.

The meeting ended at 9.20 p.m.

Chair, Councillor Candida Ronald
Audit Committee

| | |
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| Non-Executive Report of the: Audit Committee 16 th November 2017 |  |
| Report of: Asmat Hussain, Corporate Director, Governance and Monitoring Officer | Classification: Unrestricted |
| Whistleblowing – New policy and processes | |

| | |
|-------------------------------|--|
| Originating Officer(s) | Paul Greeno, Senior Corporate and Governance Lawyer & Holly Bell, Trainee Solicitor |
| Wards affected | All |

Summary

In January 2017 Grant Thornton UK LLP was commissioned to undertake a review of the whistleblowing arrangements of the Council. They produced a report outlining their findings and making a number of recommendations that they considered would produce a more effective whistleblowing framework for the Council and suggested an action plan.

Recommendations:

The Audit Committee is recommended to:

1. Note the revised Whistleblowing Policy, Procedure, Guidance for Managers and Guidance for Investigators at Appendices 1 to 4;
2. Note the proposed E-Learning module at Appendix 5;
3. Note the Council's proposed Action Plan for the implementation of a more effective whistleblowing framework at Appendix 6; and
4. Note that the Audit Committee will be the responsible committee for the oversight of Whistleblowing and will be asked to assess the effectiveness of the Policy as well as monitoring the implementation of the policy.

1. REASONS FOR THE DECISIONS

- 1.1 Having an effective Whistleblowing Policy and Procedure is a good first step to encourage employees to report any form of malpractice that is identified or discovered.

2. ALTERNATIVE OPTIONS

- 2.1 To decline to be the responsible committee for the oversight of Whistleblowing.

3. DETAILS OF REPORT

- 3.1 In June 2016 the Council published an updated Whistleblowing Policy as part of its improvements to its organisational culture. It was agreed with the Commissioners that the Council would arrange for an independent audit of the new procedures to and Grant Thornton was commissioned to undertake the review. The aim of the work was primarily to:

- understand the arrangements and culture in place
- compare to best practice, available guidance and codes of practice
- recommend change

- 3.2 Following consideration of the Grant Thornton findings, a new Policy has been drafted and is attached at Appendix 1. The main changes to this Policy are that

- The procedure aspects are within a separate Whistleblowing Procedure (see Appendix 2).
- The Policy focuses on employees and where members of the public have a concern then this should be reported through the Council's Corporate Complaints procedure.
- Clarification that employees includes permanent and temporary employees as well as agency workers and employees seconded to the Council.
- Confirmation that the Monitoring Officer is the responsible officer.
- Confirmation that the Monitoring Officer will maintain a confidential and secure register of all concerns raised.

- 3.3 As to the Whistleblowing Procedure, this specifies roles and responsibilities of the Monitoring Officer, Corporate and Divisional Directors, Line Managers, Councillors and Employees and other workers. It also outlines how to report a concern; the information that is required; and the procedure for investigating concerns.

- 3.4 In addition to the Policy and Procedure, supporting guidance has also been prepared for Managers and for Investigators. These are at Appendix 3 and 4 respectively.
- 3.5 All these documents have been produced in line with the recommendations from the Grant Thornton report and the Department for Business Innovation and Skills ('BIS') Guidance and Code of Practice for employers in respect of Whistleblowing.
- 3.6 The Whistleblowing Policy and supporting documents are being relaunched. The Council's Intranet page on Whistleblowing would have been updated by the date of the Committee with the revised Whistleblowing Policy etc. being published. An Article referring to the new Policy is being published in the internal newsletter th now. Articles will also be appearing in both the Members' Bulletin and the Managers' Briefing.
- 3.7 Further, all political group Leaders will be asked to encourage the promotion of the policy within their group membership and a mandatory e-learning module has been prepared to be added to new Learning Management System (LMS). This will form part of the Learning and Development Core Offer training packages for all staff. This module which is at Appendix 5 will be mandatory for all staff to undertake and will also be available for Councillors.
- 3.8 The Whistleblowing Policy and Procedure will also form part of the induction for Councillors and new employees.
- 3.9 As to oversight, this Audit Committee is to be the responsible committee for Whistleblowing. It will be asked to assess the effectiveness of the policy and also monitor the implementation of the policy. The Audit Committee will receive an annual report as well as regular monitoring reports.
- 3.10 No monitoring report is being presented at this meeting, but the following statistical information is given at this time.
- A new Whistleblowing process was initially introduced in April 2016. Between then and 19th October 2017, 105 concerns have been raised under the new Policy. However, as there was an overlap between the introduction of the new Policy and the investigation process being managed by the Monitoring Officer, 3 concerns raised in March 2016 are also included: thus making the total number 108.
 - In 2016, 31 concerns were raised (this includes 5 raised prior to March 2016).
 - So far in 2017, 82 concerns have been raised.
 - Of the 105 concerns only 37 have fallen within the framework of Whistleblowing Policy.
 - Of those 37 concerns, 25 have been investigated and closed.
 - Of those 25, 4 were upheld and 1 was partially upheld.
 - Of the remaining 12 being investigated, investigations in respect of 3 have been concluded and the investigation report to be reviewed.

- There are 9 ongoing investigations at various stages.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 The cost of the Grant Thornton review was £52,000 and was funded through the Council's transformation reserve.
- 4.2 There are no other financial implications arising from the recommendations within this report. However, in the event that additional resources are required to improve existing arrangements, officers will be obliged to identify appropriate budgets and seek financial approval through the Council's agreed procedures.

5. LEGAL COMMENTS

- 5.1 Whistleblowing law is located in the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). It provides the right for a worker to take a case to an employment tribunal if they have been victimised at work or they have lost their job because they have 'blown the whistle'.
- 5.2 The law does not require employers to have a whistleblowing policy in place but it is accepted good practice for the Council, as an employer, to create an open, transparent and safe working environment where workers feel able to speak up. The existence of a whistleblowing policy shows an employer's commitment to listen to the concerns of workers. Further the BIS Guidance and Code of Practice provides that it is good practice for employers to have a whistleblowing policy or appropriate written procedures in place.
- 5.3 The revised policy confirms the employee's statutory rights and aims to create an organisational culture where employees feel safe to raise a concern in the knowledge that they will not be victimised in doing so.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The review of whistleblowing is a continuation of the Council's improvement to its organisational culture. It demonstrates a commitment to put the concerns of employees and local people first and for fair and transparent decision making and which contributes to the delivery of One Tower Hamlets priorities and objectives.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 Whilst the report does not propose any direct expenditure, it is looking to put in place arrangements in the exercise of its functions having regard to efficiency and thereby also economy and effectiveness.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 It is not considered that there are any environmental implications.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 Ensuring a culture whereby persons feel empowered to raise concerns when there is a reasonable belief (and it is in the public interest) that one or more of a criminal offence, a breach of legal obligation, a miscarriage of justice, a danger to the health and safety of an individual, damage to the environment, and/ or a deliberate attempt to conceal one of these, has occurred or is likely to occur is an important part of risk management and should reduce risks.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 Ensuring a culture whereby persons feel empowered to raise concerns when there is a reasonable belief (and it is in the public interest) that a criminal offence, a miscarriage of justice is likely to occur should assist in reducing crime.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- 1 – Revised Draft Whistleblowing Policy
- 2 – Revised Draft Whistleblowing Procedure
- 3 – Revised Draft Guidance for Managers
- 4 – Revised Draft Guidance for Investigators
- 5 – Proposed ELearning Module
- 6 – Response to Grant Thornton Action Plan.

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

- NONE.

Officer contact details for documents:

- N/A

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LONDON BOROUGH OF TOWER HAMLETS

WHISTLEBLOWING POLICY

SPEAK UP
Let's work together against what's wrong.



1. INTRODUCTION

- 1.1 Tower Hamlets is committed to the highest standards of behaviour, openness, probity and accountability of all employees, Councillors and its contractors and as such takes very seriously any form of malpractice that is identified or discovered.
- 1.2 Whistleblowing is the term used when a worker passes on information concerning wrongdoing. The wrongdoing will typically (although not necessarily) be something you have witnessed at work.
- 1.3 An important aspect of accountability and transparency is a mechanism to enable Councillors, employees, contractors, suppliers and partners to voice concerns about such wrongdoings in a responsible and effective manner. You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may not express your concerns because you feel that speaking up would be disloyal to your colleagues, managers, or to the Council. You may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.4 We expect employees, and others that we deal with, who have serious concerns about any aspect of the Council's work which you believe shows serious malpractice or wrongdoing within the Council to bring it to our attention and this Policy puts an easy mechanism in place to report your concerns and to raise issues.
- 1.5 All employees of London Borough of Tower Hamlets may use this Policy. This includes permanent and temporary employees. It also covers agency workers and employees seconded to the Council.
- 1.6 Contractors working for the Council may also use this Policy in order to make us aware of any concerns that they, their employees or sub-contractors may have with regard to any contractual or other arrangement with the Council. Any concerns relating to non-Council business, however, should be raised with the relevant contractor's organisation, regulator or other suitable agency.

2. SCOPE

- 2.1 This Policy and associated procedures is not designed to be used where more appropriate procedures are available. For example, your issue may be a personal grievance about a problem or concern you have about your work, working conditions or relationships with colleagues. If so, then these should raise these with your line manager in the first instance or use the Council's Dispute Resolution processes.
- 2.2 Further, this Policy and procedures are in addition to the Council's complaints procedures and other statutory reporting procedures applying to Directorates. You

are responsible for making service users aware of the existence of these additional procedures.

- 2.3 This Policy and its procedures/guidance are designed to enable you to raise concerns at a high level and to disclose information which you believe shows malpractice, impropriety, criminal activity, or dangers to health and safety. This policy is intended to cover concerns which are in the public interest and may at least initially be investigated separately but might then lead to the instigation of other procedures e.g. disciplinary.
- 2.4 Further you need to be acting in the public interest and which is why personal grievances and complaints are not usually covered by this Policy.
- 2.5 The Policy is intended to cover concerns where you reasonably believe that the disclosure tends to show past, present or likely future wrongdoing falling into one or more of the following categories:
- criminal offences (this may include, for example, types of financial impropriety such as fraud);
 - unauthorised use or misuse of public funds
 - failure to comply with an obligation set out in law;
 - abuse of position, whether or not for personal gain
 - miscarriages of justice;
 - endangering of someone's health and safety;
 - damage to the environment;
 - conduct which may damage the Council's reputation;
 - other unethical conduct; and
 - covering up wrongdoing in the above categories.

3. OUR ASSURANCES TO YOU

Your safety

- 3.1 The Mayor, Councillors, the Chief Executive and Corporate Leadership Team are committed to this Policy and recognise that the decision to report a concern can be a difficult one to make. If you raise a genuine concern under this Policy, you should have nothing to fear, you will not be at risk of losing your job or suffering any form of retribution as a result. Provided you are acting in good faith, it does not matter if you are mistaken, no action will be taken against you.
- 3.2 It is important to note that this assurance does not extend to those who make malicious or vexatious allegations or who make an allegation for personal gain. This could be construed as gross misconduct and disciplinary action may be taken against you.

Statutory protection

- 3.3 Whistleblowing law is located in the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). It provides the right for you to take a case to an employment tribunal if you have been victimised at work or you have lost their job because they have 'blown the whistle'. This is on the basis that you have a reasonable belief that what you have reported is true and the report is in good faith.

Harassment or victimisation

- 3.4 The Council will not tolerate any harassment or victimisation (including informal pressures) from your colleagues, peers, managers, or from external sources, and will take appropriate action to protect you when you raise a concern in good faith.
- 3.5 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary, capability, or redundancy procedures that already affect you.
- 3.6 If you consider that you have been, are being or are likely to be victimised, dismissed, made redundant or made to suffer some other detriment as a result of making a report under this procedure, you should report your concerns to the Council's Monitoring Officer. The matter will then be dealt with as a new referral under this procedure.

Your confidentiality

- 3.7 We will treat all concerns raised in a confidential and sensitive manner. Your identity will be kept confidential so long as it does not hinder or frustrate any investigation. However, the investigation process could reveal the source of the information and you may need to provide a statement as part of the evidence required. In such cases, we will always ask your consent to disclose your identity. Further, it is always possible that your identity could be guessed.

Anonymous allegations

- 3.8 It is not unusual for individuals who are thinking about raising a concern to want to make it anonymously. However it is best that concerns are raised openly as it makes it easier for consideration and investigation of the concern. It is recognised, however, that there are circumstances when you would wish to keep your identity confidential.
- 3.9 Anonymous concerns that do not have a point of contact to which correspondence can be sent (e.g. an email address) will be considered at the discretion of the Council. In exercising this discretion the following factors will be taken into account
- the seriousness of the issues raised;
 - the credibility of the concern; and
 - the likelihood of confirming the allegation from attributable sources.
- 3.10 Therefore whilst we do not rule out the possibility of conducting investigations where you have not given a point of contact, it should be noted that, in practice, we

are unlikely to be able to proceed in the majority of such cases because of the practical difficulties that arise. No contact point will often present a barrier to effective investigation because it is impossible to contact you to check information received, ask for more details, or give feedback.

4. THE RESPONSIBLE OFFICER

- 4.1** The Corporate Director, Governance (as Monitoring Officer) has overall responsibility for the maintenance and operation of this policy.

5. RECORDING AND MONITORING

- 5.1** The Monitoring Officer will maintain a confidential and secure register of all concerns raised through this Whistleblowing Policy. Investigations undertaken as a result of concerns being raised through these channels will be reported to the Audit Committee. Furthermore, weaknesses in Tower Hamlets controls may be identified through our investigations and recommendations to improve these will be raised with relevant managers and Chief Officers.

- 5.2** All records will be treated as confidential and kept no longer than necessary in accordance with Data Protection rules. Individuals have a right to request and have access to certain personal data: however, some information may be withheld in order to protect a third party.

6. REVIEW OF WHISTLEBLOWING POLICY

- 6.1** This Policy and reports made under it will be reviewed annually by the Monitoring Officer who will make a report to the Audit Committee.

7. EXTERNAL CONTACTS

- 7.1** Whilst we hope this Policy gives you the reassurance you need to raise such matters internally, we would rather you raised a matter with the appropriate regulator than not at all. If you do not wish to report your concern to the Monitoring Officer: you can get legal advice from a lawyer, or tell a prescribed person or body.

- 7.2** A Prescribed person or body as set out in the “prescribed persons list” published by the Department for Business, Innovation and Skills. The organisations and individuals on the list have usually been designated as prescribed persons because they have an authoritative or oversight relationship with the sector, often as a regulatory body. An up-to-date list can be found here:

<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>

- 7.3 If you tell a prescribed person or body, it must be one that deals with the issue you are raising, e.g. a disclosure about wrongdoing in a care home can be made to the Care Quality Commission.
- 7.4 If you raise concerns outside the Council you should ensure that it is to either one of the prescribed persons or bodies as set out in the “prescribed persons list” published by the Department for Business, Innovation and Skill. Through this Policy however, the Council also guarantees like protection if it is a qualified disclosure made to:
- The Police
 - Public Concern at Work
020 7404 6609
<http://www.pcaw.org.uk/>
(The whistleblowing charity who can give advice and help on whistleblowing)
 - The Local Government Ombudsman
0300 061 0614
http://www.lgo.org.uk/forms/ShowForm.asp?fm_fid=62
- 7.5 You should not disclose information that is confidential to the Council or to anyone else, such as a client or contractor of the Council, except to either one of the prescribed persons or bodies as set out in the “prescribed persons list” or 7.4 above.

LONDON BOROUGH OF TOWER HAMLETS

WHISTLEBLOWING PROCEDURE

SPEAK UP
Let's work together against what's wrong.



1. INTRODUCTION

- 1.1 Whistleblowing is when an employee reports suspected past, present or imminent wrongdoing, or an attempt to conceal wrongdoing. Officially this is called 'making a disclosure in the public interest'. Whistleblowing is important to safeguard the effective delivery of public services, and to ensure value for money. It serves to protect and reassure the workforce, increasing public confidence and to maintain a healthy working culture and an efficient organisation.
- 1.2 This Procedure applies to all employees of London Borough of Tower Hamlets including permanent and temporary employees. It also covers agency workers and employees seconded to the Council.
- 1.3 Contractors working for the Council may also use this Procedure in order to make us aware of any concerns that they, their employees or sub-contractors may have with regard to any contractual or other arrangement with the Council. Any concerns relating to non-Council business, however, should be raised with the relevant contractor's organisation, regulator or other suitable agency.
- 1.4 This procedure outlines the process that you should follow when reporting a perceived wrongdoing within the Council.
- 1.5 It is important that this procedure is followed when raising any concerns, to ensure that the matter is dealt with correctly. Where a concern is raised using the correct procedure, the individual will be protected from any unfair or negative treatment. As set out in this procedure, you can raise concerns through a number of internal routes.

2. ROLES AND RESPONSIBILITIES

- 2.1 The roles and responsibilities which apply in relation to the Whistleblowing Policy include, but are not limited to:

The Monitoring Officer

- Has overall responsibility for the maintenance and operation of the Whistleblowing Policy.
- To whom whistleblower concerns are raised.
- Considering whether the concern is covered by the Whistleblowing Policy.
- Ensuring matters raised are handled properly.
- Monitoring whistleblowing cases and to report on the use of this Procedure and the outcome of investigations, including disclosures where no further action is taken.

Corporate and Divisional Directors

- Promoting and providing a safe culture and environment where employees and other workers are confident that they can speak up about concerns without fear of reproach or recrimination.
- Ensuring that mechanisms are in place within Directorates to inform the Monitoring Officer of any matters of concern which are raised

Line Managers

- Providing a safe environment where Tower Hamlets employees and other workers are comfortable speaking up about matters of concern.
- Ensuring that any matters raised are treated seriously and dealt with promptly in accordance with this policy and procedure, including informing the Monitoring Officer of all concerns reported to them.
- Maintaining confidentiality, as appropriate, of the employee(s) involved in the concern.
- Not deterring, bullying, isolating or otherwise victimising anyone using these procedures or destroying information about malpractice, all of which may result in disciplinary action.

Councillors

- Can report and pursue concerns reasonably believed to be in the public interest.
- Supports standards of behaviour of openness, probity and accountability of all employees, Councillors and its contractors.
- Will receive reports giving them the opportunity to scrutinise the operation of the Whistleblowing Policy and Procedure and will lead on a shared learning culture.
- Will receive regular monitoring reports and yearly performance reports.

Employees and other workers

- Reporting and pursuing concerns reasonably believed to be in the public interest (affecting others and not just the individual; this procedure is not to be used for reporting personal grievances or complaints relating only to the complainant's treatment).
- Raising concerns to the appropriate person in the appropriate way in line with the Whistleblowing Policy and this Procedure.
- Not raising or pursuing any malicious or vexatious allegations relating to the department or colleagues

3. WHAT IS A RELEVANT CONCERN

3.1 Please see the Whistleblowing Policy (section 2).

4. REPORTING A CONCERN

4.1 If you experience something in the workplace which you consider to be a relevant concern then it is important that the concern is raised straight away. Whilst proof is not required, you must have a reasonable belief that disclosing the information is in the public interest before raising a concern using this Procedure. The following paragraphs outline the different ways in which you can raise a concern.

4.2 The concern should, in most instances, be raised firstly with your line manager though it is important that you do raise the concern with the person best placed to deal with the matter and with whom you feel most comfortable.

4.3 There may be certain rare occasions when it would be inappropriate to raise the concern with your line manager because, for example, the concern:

- may implicate the manager in some way,
- is about a senior manager within the line management chain or somewhere else in the department,
- is particularly serious and needs to be dealt with as a matter of urgency

4.4 Concerns can also be raised with a senior manager if it is not appropriate to raise the concern with the line manager or you feel more comfortable doing so.

4.5 If it is believed that the concern is extremely serious and urgent and it cannot be raised with the line manager, another line manager, a senior manager, then it can be raised directly with the Monitoring Officer. The concern should only be raised in this way if you have given serious consideration to all other internal options.

4.6 You can raise your concerns in confidence with the Monitoring Officer in the following ways:

- Complete the 'Blow the Whistle' report form and which is available on the Council's intranet and then email it to:
monitoring.officer@towerhamlets.gov.uk
- By sending an email to the Monitoring Officer at the above email address;
- By letter addressed to the Monitoring Officer, 6th Floor, Mulberry Place, 5 Clove Crescent, London E14 2BG
- By telephoning the Monitoring Officer on 020 7364 4800
- By appointment to discuss with the Monitoring Officer or a person appointed by him/her for that purpose

- Through a friend, a trade union representative, or a professional association representative

4.7 If you are the subject of an ongoing investigation or procedure (e.g. disciplinary or redundancy) then raising a concern will not necessarily have the investigation or the procedure halted or suspended. The decision in relation to this will be made by the Divisional Director, HR & Transformation in consultation with Monitoring Officer.

5. INFORMATION NEEDED TO RAISE A CONCERN

5.1 When raising a concern under this procedure, you should provide the following information where possible:

- the nature of the concern and its key elements.
- when it happened.
- who was involved.

5.2 In addition to details of the concern, you should try to provide the following information

- the background and reason behind the concern.
- whether you have already raised a concern with anyone and the response.
- any other relevant dates.
- if applicable, any personal interests that you have must be declared from the outset.

5.3 It is important that matters are not investigated by you. Proof is not needed, just a reasonable, honest belief that wrongdoing has occurred or is likely to occur.

6. PROCEDURE FOR INVESTIGATING CONCERNS

6.1 All investigations will be conducted sensitively, as quickly as possible, and under this procedure. The investigation should be concluded within 3 months of the matter being raised, though some scenarios may result in a longer timeframe. While we cannot guarantee that the outcome will be as you may wish, the matter will be handled fairly and in accordance with the Whistleblowing Procedure.

6.2 Once you have raised a concern with your line manager, a meeting may be arranged with them to determine how the concern should be taken forward. This may involve the line manager seeing if the matter can be satisfactorily resolved at that time without the need to trigger the formal procedure. Otherwise, it may involve an internal inquiry or a formal investigation. It will be established at the meeting who

will be dealing with the matter, for example, the Health and Safety Team if the matter relates to Health and Safety.

- 6.3 If a meeting is arranged, you may be accompanied by a trade union representative or a colleague who is not involved directly with the concern if you so wish. If you prefer, the meeting can be conducted over the telephone rather than face to face.
- 6.4 Where the concern is passed to the Monitoring Officer or you raise it directly with the Monitoring Officer then provided that you are not anonymous we will within 5 working days commencing from the first working day following receipt of concern provide a written acknowledgement will be sent to you.
- 6.5 Then within 15 working days commencing from the first working day following receipt of the concern, you will be informed in writing of:
- how it is proposed to deal with the matter;
 - whether further investigations will take place, or if not deemed appropriate, why this decision has been made;
 - an estimate of how long it might take to provide a final response; and
 - what support can be offered to you.
- 6.6 A decision will also be made on whether the concern should be investigated internally under the Whistleblowing Policy or the Grievance, Disciplinary or another policy, as appropriate. It may also be decided that the matter should:
- be referred to the Police, and/or
 - be referred to the external auditor, and/or
 - be the subject of an independent inquiry; or
 - have no further action taken
- 6.7 Some concerns may be resolved by agreed action without the need for formal investigation. If urgent action is required, this may be taken before any investigation is conducted.
- 6.8 We may decide that no further action will be taken under this policy in the following (not exhaustive) set of circumstances:
- if, after investigation, there is no evidence that malpractice has occurred, is occurring or is likely to occur;
 - if the matter concerned is already the subject of legal proceedings, or has already been referred to the police or other public authority;
 - if the matter is already, has already been, or should be, the subject of proceedings under one of the Council procedures

- 6.9 We will aim to update you on the progress of the concern within 28 days of it being raised, where possible. However, in the event of a formal investigation or the involvement of the police or other external agency, you will receive sufficient information about the outcome of any investigation to enable you to be informed that the concern is being dealt with.
- 6.10 Once the investigation has concluded, you will receive an explanation about how the matter has been addressed. If there are legal constraints, e.g. in a criminal investigation, you will receive sufficient information about the outcome of any investigation to enable you to be informed that the concern has been dealt with. If no further action is proposed we will inform you of the reasons for this in writing.
- 6.11 If the investigation is not completed within 3 months or in the time originally estimated for the investigation, we will provide regular updates as agreed with you.
- 6.12 Throughout any investigation, you will still be expected to continue your duties/role as normal unless deemed inappropriate.
- 6.13 Please note that the time estimates cited above are indicative only. We will respond to your concerns as quickly as possible but we will have to test your concerns. Rest assured though that testing your concerns is not the same as either accepting or rejecting them. The overriding principle for us will be the public interest. In order to be fair, initial enquiries may have to be made to decide whether an investigation is appropriate and, if so, what form it should take.

7. CONFIDENTIALITY

- 7.1 We will take steps in any investigation to ensure that confidentiality is maintained as far as possible and will endeavour to protect your identity. This should be possible in the majority of cases. Thus, any document, report or recommendation prepared by us in relation to the matter will not identify you unless:
- you have consented in writing to your identity being exposed, or
 - there is evidence to show that you have acted maliciously, or
 - we are under a legal obligation to do so, or
 - the information is already in the public domain, or
 - it is on a strictly confidential basis to a professionally qualified lawyer for the purpose of obtaining legal advice.
- 7.2 All parties will be under an obligation to use all reasonable endeavours to ensure that they keep the matter and all information relating to the disclosure strictly confidential except, as permitted under this procedure, as required by law or until such time as it comes into the public domain.

7.3 The same considerations of confidentiality should be afforded to the employee(s) at the centre of the concern as far as appropriate.

8. TRAINING

8.1 From time to time appropriate training will be given to Councillors, Corporate and Divisional Directors, Line Managers and employees and other workers in respect of the operation of the Whistleblowing Policy and Procedure.

8.2 It will also form part of the induction for Councillors and all new employees.

LONDON BOROUGH OF TOWER HAMLETS

WHISTLEBLOWING

SUPPORTING GUIDANCE FOR MANAGERS

SPEAK UP

Let's work together against what's wrong.



1. What matters should be dealt with under the policy?

The Policy and associated procedures should be used to report acts or omissions that give an employee serious cause for concern and are in the public interest. The following list provides examples of such acts or omissions:

- criminal offences (this may include, for example, types of financial impropriety such as fraud);
- unauthorised use or misuse of public funds
- failure to comply with an obligation set out in law;
- abuse of position, whether or not for personal gain
- miscarriages of justice;
- endangering of someone's health and safety;
- damage to the environment;
- conduct which may damage the Council's reputation;
- other unethical conduct; and
- covering up wrongdoing in the above categories.

2. What type of concerns should not be raised under this policy?

A whistleblowing concern is about a risk, malpractice or wrongdoing that affects others. Complaints relating to an individual's employment (e.g. a personal grievance about a problem or concern an employee has about your work, working conditions or relationships with colleagues) should either be dealt with informally by the employee's line manager in the first instance or use the Council's Dispute Resolution processes.

3. What are my responsibilities under this policy?

Raising Awareness

When staff suspect or discover something is wrong, they are encouraged to report this to you. This gives you the chance to correct any potential or actual malpractice before the issue escalates. Please note that if there are allegations of potential fraud, or financial irregularity, then these must be reported to the Monitoring Officer.

You must ensure that all employees under your supervision are aware of the Whistleblowing Policy and associated procedures and that they know how to raise a concern if they become aware of malpractice or wrongdoing.

Regular reminders of the Whistleblowing Policy should be provided at team meetings. Regular 1:1 meetings for the purposes of work planning and personal development will also provide employees with the opportunity to raise concerns confidentially if necessary.

Responding to Concerns

Whistleblowing is raising a concern about wrongdoing, risk or malpractice with someone in authority. A concern can be raised in a variety of ways, for example, by email, letter,

telephone, or during a 1:1 meeting. It may be that several letters or emails together constitute a whistleblowing concern.

A whistleblowing concern may be raised during a grievance or a disciplinary or capability process. This may raise a question mark in your mind as to the motivation behind the timing of the allegations being made. However, regardless of the context, the concerns raised must still be treated seriously and investigated in accordance with the Whistleblowing Policy.

When an employee raises a concern you should:

- Consider whether the concern is actually a public interest disclosure or whether it is best dealt with under another procedure and advise the employee accordingly.
- Keep accurate records of discussion and meetings relating to the concern and gather as much information from the employee as possible and record on a Whistleblowing Complaints Record Form as appended.
- Give reassurance that protection against recrimination or victimisation will be provided.
- Take advice from HR if you consider steps are needed to protect the Whistleblower.
- Report the matter to the Monitoring Officer.
- Await further instruction regarding any investigation.
- Keep the employee informed.

Maintain Confidentiality

Council policy assures individuals raising a concern under this procedure that their report will be treated confidentially. You should assure the individual that your initial contact will be dealt with in the strictest confidence and only discussed with other relevant persons for the purposes of seeking advice.

You should advise the individual however, that should the matter become, for example, the subject of a disciplinary case or police investigation it may not be possible to guarantee anonymity.

Ensuring Protection from Victimisation, Bullying & Harassment

Victimising or deterring staff from raising legitimate concerns is a serious disciplinary offence. You must ensure that anyone who makes a complaint had confidence that it is going to be properly investigated and addressed; and they will suffer no detriment as a result of speaking out.

Council Policy assures individuals raising a concern under this procedure that they will be protected from unfair dismissal, victimisation and harassment as a result of making a public interest disclosure that they reasonably believe to be true.

You have a responsibility to ensure that victimisation, bullying and harassment are not tolerated within your team and to immediately address any reports of such behaviour.

4. What should I do if I receive an anonymous complaint?

If you receive an anonymous complaint you should consider whether the allegations fall into one of the whistleblowing categories as detailed on the whistleblowing complaint record form.

Where you consider the allegations to constitute a whistleblowing complaint you should follow the whistleblowing procedure and report the matter to the Monitoring Officer.

Whether a concern expressed anonymously will be investigated under this policy will be at the discretion of the Council. In exercising this discretion, the factors to be taken into account will include:

- the seriousness of the issue raised;
- whether the allegation/concern is worthy of belief; and
- the likelihood of confirming the allegation from attributable sources.

WHISTLEBLOWING COMPLAINT RECORD

CONTACT INFORMATION

Name of Employee making the complaint:

Service:

Line Manager:

Contact Telephone Number:

Complaint received anonymously

COMPLAINT CATEGORY

- a criminal offence such as theft, fraud, bribery or corruption
- unauthorised use or misuse of public funds
- a failure to comply with an obligation set out in law
- abuse of position, whether or not for personal gain
- a miscarriage of justice
- endangering the health and safety of an individual
- damage to the environment
- conduct which may cause damage to the Council's reputation
- other unethical conduct
- covering up wrongdoing in any of the above categories

EMPLOYEE(S) INVOLVED

Name:

Post Title:

Service Area:

Name:

Post Title:

Service Area:

DESCRIPTION OF COMPLAINT

RECORD DETAILS

Name of Officer recording the complaint:

Date complaint recorded:

Date matter reported to the Monitoring Officer:

OUTCOME

- matter to be investigated under the disciplinary procedures
- matter closed due to lack of information
- matter referred to an alternative procedure
- anonymous complaint not substantiated

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LONDON BOROUGH OF TOWER HAMLETS

WHISTLEBLOWING SUPPORTING GUIDANCE FOR INVESTIGATORS

SPEAK UP
Let's work together against what's wrong.



- Read and understand the concern that has been raised
- Note the scope of what you are being asked to do and plan your investigation accordingly considering-
 - What additional information do you need?
 - Who do you need to interview?
 - What outside agencies, if any, do you need to liaise with?
 - Do you need to liaise with the manager(s) of individual(s) who is/ are the subject of the concern.
- Estimate the time to be taken to carry out the investigation. **Remember the presumption is that the investigation should normally be completed within 3 months.**
- Write to the individual who raised the concern to introduce yourself and giving an estimated date for conclusion of the investigation. If any additional information is required before holding interviews then request it at this stage.
- Consider whether the member(s) of staff who are being complained against should be informed of the investigation or is it likely that such notification would prejudice the investigation;
- If it will not prejudice then the member(s) of staff should be contacted and informed as soon as is practicably possible;
- The investigator should liaise with the relevant manager(s), if appropriate, where it is likely that such notification would not prejudice the investigation;
- Arrange and hold interviews with all relevant people as soon as possible. This is important as memories of events can fade. **Delays in investigating will lessen the effectiveness of the procedure and make it harder to obtain the evidence. Delays can also cause unnecessary concern and resentment for the person under investigation.**
- Send statements/transcripts of interviews to the individual interviewed following the interview for them to confirm accuracy and add any clarification.
- If there are delays in the investigation, make sure to keep the individual who raised the concern informed and given updated completion estimate.
- Ensure that you make notes of each and every contact with persons during the course of the investigation;
- If you consider that the scope of the investigation needs to be changed, do not change the scope off your own back. Make sure you get the consent of the Monitoring Officer before changing the scope.

- Once the investigation has concluded, promptly prepare a written report containing the findings of the investigation. Make sure that if you are summarising interviews that the summaries are accurate. **Remember the decision as to action to be taken is for the Monitoring Officer although you should make a recommendation for consideration.**
- Write to the individual who raised the concern to advise them that the investigation has been completed and a report has been referred to the Monitoring Officer. **Do not advise that individual as to the outcome of the investigation but advise that the Monitoring Officer will consider the report and write to that individual accordingly.**
- If you have contacted the person(s) who is/are the subject of the concern and they are aware of the investigation then also contact them to advise them that the investigation has been completed and a report referred to the Monitoring Office. **Again, do not advise as to the outcome of the investigation but state that the Monitoring Officer will consider the report and write to that individual accordingly.**
- **REMEMBER CONFIDENTIALITY AND YOU MUST NOT DISCLOSE THE IDENTITY OF THE PERSON RAISING THE CONCERN UNLESS THAT INDIVIDUAL HAS CONSENTED**

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WHISTLEBLOWING

SPEAK UP
Let's work together against what's wrong.



Our Charter

- The Council and its leadership are committed to being open and honest. We are dedicated to creating a culture where employees, volunteers and contractors have the confidence to raise concerns, are supported without fear of reprisal or harassment and that all concerns will be considered and acted upon in an appropriate manner.
- We recognise that our employees are valuable eyes and ears and will be the first to know that something has gone wrong. We want to encourage early reporting to deter wrongdoing and to enable us to address issues at an early stage before they escalate.
- We are committed to protecting and support all those who consider they are raising a concern to benefit the Council and are not doing so for personal gain or for malicious reasons

The Council will:

- Maintain effective whistleblowing procedures which can be accessed by all employees, volunteers and contractors;
- Encourage employees, volunteers and contractors to feel confident to raise concerns;
- Consider all concerns and assess what action should be taken;
- Respond in a timely manner and ensure appropriate feedback is provided;
- Develop a culture of reflective practice where we learn and develop from our mistakes without allocating blame;
- Provide support and guidance so individuals understand their rights under current legislation; and
- Regularly develop and continuously promote our whistleblowing policy.

What is Whistleblowing

- **'Whistleblowing' is when an employee, volunteer or contractor raises a concern about a suspected wrongdoing/ unlawful act at work'**
 - Likely to be something witnessed at work
 - In the public interest
 - A protected disclosure

It can be something that happened in the past, present or being planned in the future

What does in the public interest mean?

- It will have an impact on others, such as
 - Public
 - other employees
 - service users/clients
- The impact must be greater than yourself (i.e. affecting others and not just you)
- Therefore not for reporting personal grievances or complaints relating only to your treatment

Protected Disclosures:

The law requires us to protect employees who make the following Protected Disclosures:

- criminal offence
- failure to comply with legal obligations
- miscarriage of justice
- damage to the environment
- unauthorised use of public funds
- fraud and corruption
- your employer is breaking the law
- deliberately concealing any of the above;

Why is Whistleblowing Important?

- Employees, volunteers and contractors are the eyes and ears of the Council
- You provide the early warning system and provide us with the opportunity to address things in the early stages, before it becomes a major issue
- Raising concerns can prevent wrongdoing
- Promotes accountability and personal responsibility
- Demonstrates that wrong-doing will not be tolerated and that we are a well-managed organisation
- Reduce costs, by reducing the incidence of fraud and corruption

The Council's Core Values

- **T**ogether
 - **O**pen
 - **W**illing
 - **E**xcellent
 - **R**espect
- Raising concerns and whistleblowing supports our values: Open and Respect
- ***It's also the right thing to do.***

Our Commitment to You

- Consider all concerns and assess what action should be taken
- Respond in a timely manner
- Provide feedback
- Develop a culture of reflective practice where we learn and develop from our mistakes without allocating blame
- Provide support and guidance so individuals understand their rights to make a Protected Disclosure
- Malicious or vexatious claims will not be tolerated and disciplinary action may be taken against those who make such claims
- We will provide the individual raising the concern with timely feedback, but confidentiality and criminal proceedings may limit our ability to provide detail on the final action and resulting outcome.

Raising a Concern

- In most instances with your line manager (though it is important that you do raise the concern with the person best placed to deal with the matter and with whom you feel most comfortable)
- There may be certain occasions when it would be inappropriate to raise the concern with the line manager, e.g. the concern may:
 - may implicate the manager in some way,
 - is about a senior manager within the line management chain or somewhere else in the department,
 - is particularly serious and needs to be dealt with as a matter of urgency
- With a Senior Manager, if not appropriate to raise with line manager
- With the Monitoring Officer (although you should have given serious consideration to the above internal options before doing so)

Raising with the Monitoring Officer

- Complete the 'Blow the Whistle' report form and which is available on the Council's intranet;
- By sending an email to the Monitoring Officer
Monitoring.Officer@towerhamlets.gov.uk;
- By letter addressed to the Monitoring Officer, 6th Floor, Mulberry Place, 5 Clove Crescent, London E14 2BG
- By telephoning the Monitoring Officer on 020 7364 4800
- By appointment to discuss with the Monitoring Officer or a person appointed by him/her for that purpose
- Through a friend, a trade union representative, or a professional association representative

Seeking Advice

Before raising a concern you can seek advice from:

- A trusted friend
- Prescribed person
- Trade Union
- Public Concern at Work, Whistleblowing Charity
- Prescribed Body
- Line Manager

Do's and Don'ts

- Do read the policy and take advice either internally or externally
- Don't make false and malicious allegations
- Do report your suspicions, even if you think you might be mistaken
- Don't wait until it happens again, act early and prevent escalation
- Do maintain confidentiality unless you have been notified otherwise
- Don't gather the evidence yourself
- Do encourage and support those who speak out

Raising a concern and speaking out is a positive quality and something we should all be proud of and actively encourage

Have we Changed Your Understanding:

Do you think:

- If I speak out, everyone will dislike me and I might lose my job.

Or do you know believe:

- It's the right thing to do, how else will the Council know what is going on and be able to change.

- If I speak out I will be supported and protect from reprisals

Scenarios

Whistleblowing Yes or No

- You notice a work colleague has claimed expenses for a journey in their car that they did not complete. This is not the first time they have claimed for an amount greater than they are entitled - **Yes**
- Your line manager regularly likes to tell your colleagues funny stories about you and the mistakes you have made in your work. You feel like the joker - **No**
- The employer liability insurance for the Council is due on the 31 March 2017. As it is year end you are asked by the finance director not to pay and to delay the payment until May 2017 - **Yes**

Consolidating the Learning

Why is whistleblowing important, please select whether you consider the statement to be true or false.

- You provide the early warning system and provide us with the opportunity to address things in the early stages, before it becomes a major issue - **True**
- If I raise a concern I will not be taken seriously and nothing will happen - **False** – (we are committed to taking all concerns seriously)
- Whistleblowing will not lead to any changes - **False** – (raising a concern enables us to investigate and take any necessary changes)
- Whistleblowing demonstrates that wrong-doing will not be tolerated and that we are a well-managed organisation - **True**
- Whistleblowing reduces costs and the risk of anonymous leaks - **True**

Consolidating the Learning

Why is whistleblowing important, please select whether you consider the statement to be true or false.

- Whistleblowing will be taken seriously and treated confidentially unless you tell us otherwise - **True**
- Whistleblowing should be discouraged and is a sign of a dysfunctional organisation - **False** - (whistleblowing is encouraged and a sign of an effective organisation that takes your concerns seriously)
- If I raise my concern anonymously the Council will not investigate - **False** – (anonymous reporting may limit our ability to investigate, but all concerns will be taken seriously and investigated)
- If I raise a malicious concern no action will be taken by the Council - **False**– (if you deliberately raise a malicious allegation, disciplinary action may be taken against you)

Consolidating the Learning

Why is whistleblowing important, please select whether you consider the statement to be true or false.

- Whistleblowing will be taken seriously and treated confidentially unless you tell us otherwise - **True**
- Whistleblowing should be discouraged and is a sign of a dysfunctional organisation - **False** - (whistleblowing is encouraged and a sign of an effective organisation that takes your concerns seriously)
- If I raise my concern anonymously the Council will not investigate - **False** – (anonymous reporting may limit our ability to investigate, but all concerns will be taken seriously and investigated)
- If I raise a malicious concern no action will be taken by the Council - **False**– (if you deliberately raise a malicious allegation, disciplinary action may be taken against you)

| No. | Priority | Recommendation | Response |
|-----|----------|--|--|
| 1 | High | <p>The Council needs to create a more open, transparent and safe culture that will encourage all employees and members of the public to raise concerns and speak out. It should develop a culture of shared learning and practice. This could be achieved by:</p> <p>(1) adopting a whistleblowing/raising a concern charter; (2) renaming the policy to 'raising or reporting a concern', similar to the NHS (whistleblowing often has negative connotations); (3) demonstrating to employees that action is taken in an effective and efficient manner, including against vexatious concerns; (4) public recognition on a regular basis, including the improvements made as a result of investigations; (5) introducing officer, member and Mayoral performance reporting, focusing on the improvements and changes made to support a no blame culture; (6) promoting the role of the charity Public Concern at Work to provide advice and help; and (7) actively supporting whistleblowers by appointing mentors and guardians.</p> | <p>(1) We have a whistleblowing policy in place and it has been strengthened following the comments from the review incorporating a revised Policy and Procedure for adoption;</p> <p>(2) It has been agreed to continue with the name as Whistleblowing for the policy.</p> <p>(3) The policy incorporates in Part 3.2 reference to the vexatious allegations and may be construed as gross misconduct.</p> <p>(4) , (5) Agreed. The policy will be reviewed annually by the Monitoring Officer and the policy and monitoring will be taken to Audit Committee;</p> <p>(6) Highlighted in 7.4 and will continue to be monitored as part of the wider monitoring under the Audit Committee.</p> <p>(7) Agreed if the individual requires</p> |
| 2 | High | <p>The council should develop a culture of shared learning and reflective practice, where evaluation without attributing blame becomes common practice.</p> | <p>By reporting to Audit Committee and regular monitoring and highlighting areas of good practice and improvements this aspect will be part of the process.</p> <p>The MO will report matters of shared learning and practices with CLT on an as and when basis.</p> |

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| 3 | Medium | <p>Settlement agreements should clearly state that the confidentiality agreement does not preclude a worker from making a protected disclosure.</p> <p>The Council should obtain legal advice and reconsider precluding employees within a settlement agreement from being able to make a claim in a tribunal in relation to a protected disclosure under the Public Interest Disclosure Act.</p> | <p>We will continue to have any Settlement Agreement legally compliant with the law. The Agreement the Council has is fit for purpose and specifically asks for details of any additional matters of concern.</p> |
| 4 | High | <p>The Council should publicise and raise awareness of its whistleblowing policy and procedures, and should do this through a range of methods to ensure all employees are informed, including those without intranet access. This could be achieved by:</p> <ul style="list-style-type: none"> (1) including whistleblowing arrangements as part of an employee induction process; (2) re-launching the policy; (3) introducing mandatory training; (4) utilising new communication methods, such as plasma screens, the weekly newsletter from the chief executive, team talks and social media; (5) ensuring those staff not online can access the whistleblowing policy; and (6) monitoring levels of awareness. | <p>The redraft policy and procedure will be relaunched to ensure that all officers are aware. It will form part of the induction for new employees and training will be provided. Comms are being engaged and screens will be used and other forms of communications.</p> |

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| 5 | Medium | <p>Consider updating/changing the whistleblowing policy and procedures:</p> <p>(1) consider if the policy should remain applicable to the public and ensure that policy and procedures are improved so that members of the public are clear on how they can raise a concern;</p> <p>(2) set out who has overall responsibility, consider including a section on roles and responsibilities for Members, officers and committees;</p> <p>(3) ensure the role of the line manager is defined and clear throughout the process;</p> <p>(4) extend the scope to make applicable to contractors, temporary staff and volunteers;</p> <p>(5) include safeguarding examples and refer to the relevant safeguarding policy and procedures;</p> <p>(6) actively encourage whistleblowing and reporting;</p> <p>(7) ensure that informal as well as formal structures and procedures are in place to address the range of severity of concerns it might receive; and</p> <p>(8) regularly review the policy to ensure advice lines and telephone numbers are up to date.</p> | <p>(1) The updated Policy will be applicable to employees. The Council's complaints procedure continues to be used widely by members of the public to raise all concerns including public interest concerns;</p> <p>(2) Agreed.</p> <p>(3) Agreed</p> <p>(4) Agreed</p> <p>(5) "our assurances to you" in the whistleblowing policy details the procedures the Council should be following when safeguarding employees;</p> <p>(6) Agreed;</p> <p>(7) Work is underway to address this ;</p> <p>(8) Agreed. The Policy will be reviewed annually.</p> |
| 6 | Medium | <p>The Council should improve the whistleblowing procedures in operation. It should:</p> <p>(1) record where a concern originates, both by the Monitoring Officer and the Department which first receives a concern;</p> <p>(2) improve the effectiveness of its internal hotline, advertise the opening times of the hotline and ensure an answer service is provided or consider using an external hotline;</p> <p>(3) agree at what stages the whistleblower will be informed, by whom and if these targets are not met and what action the Council will implement.</p> | <p>(1) Agreed in accordance with Data Protection Act regarding the processing of personal data;</p> <p>(2) There is no whistleblowing hotline or an intention to have such. There are hotlines with the Corporate Fraud Team relating to specific fraud functions</p> <p>(3) A timeline is given as to when the whistleblower will be informed of the outcome.</p> |

| | | | |
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| 7 | High | <p>The role of Elected Members and committee responsibilities should be clarified:</p> <p>(1) the Council should establish which Committee is responsible for whistleblowing (usually the committee charged with governance, the Audit Committee). This committee should assess the effectiveness of the policy as well as ensuring ownership and monitoring implementation of the policy;</p> <p>(2) the annual reporting to Overview and Scrutiny should be formalised, to include numbers of disclosures, action taken, what has changed as a result and key lessons learnt; and</p> <p>(3) all political groups to be encouraged to promote the policy within their group membership.</p> <p>The arrangements for reporting to Members should be clarified and made clear to Members so they can effectively hold officers to account and effectively scrutinise as required.</p> | <p>Work in progress</p> <p>The revised policy establishes that the Audit Committee is responsible for whistleblowing;</p> |
| 8 | Medium | <p>Ensure members:</p> <p>(1) code of conduct includes reference to the whistleblowing policy;</p> <p>(2) are clear how the whistleblowing policy is different to other HR type policies; and</p> <p>(3) are encouraged to use the current procedures so that performance data on use of the policy is up to date and accurate.</p> | <p>Whistleblowing is contained in the Codes and Protocols of the Constitution which is being reviewed and members are trained on the codes.</p> |
| 9 | High | <p>The Council should consider how those charged with governance (Members and officers) are made aware of whistleblowing concerns, where they originate. The volume of safeguarding allegations may indicate that this information should only be required for allegations raised by employees.</p> | <p>The procedure details how an employee should raise a concern (with their line manager unless not appropriate in the circumstances). The MO will oversee all complaints and address trends at CLT and/or direct with CD's.</p> |

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| 10 | Medium | The Council should ensure that those employees who have sight of and are involved in whistleblowing allegations, from health and safety to safeguarding are aware of their duty to ensure the information as a matter of routine remains confidential and they understand the protection that those raising a concern are entitled to. | Confidentiality is maintained as far as possible - see clause 7 of the policy. |
| 11 | Medium | The Council should consider if a case management system should be introduced for the corporate whistleblowing concerns. | Agreed |
| 12 | Medium | The Council should confirm if the existing anti-fraud investigation procedures are appropriate for whistleblowing and ensure they are consistently applied across the Council. They should set out who is able to complete an investigation, ensuring that investigations are completed by those with the necessary skills. | Agreed. |
| 13 | Medium | The Council needs to decide what fraud prevention and detection expertise and skills are required and the cost effectiveness of the service. It should: (1) Consider what skills and expertise are lacking and that may need to be obtained externally such as digital forensics; (2) have clear terms of reference to avoid an investigation losing direction, irrelevant lines of enquiry being pursued and unnecessary time and money being incurred; (3) record all concerns received in a clear and consistent way using a standardised report. | Guidance is to be provided to investigators |
| 14 | Medium | The Council should examine the circumstances and conditions which allowed the incident to occur, ensuring lessons are learnt and action taken as a result. | The procedure and policy provides that outcomes are examined and that lessons are learnt. |
| 15 | Medium | Training should be provided for those responsible for investigating whistleblowing cases. | Agreed |

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| 16 | Medium | <p>Training for Members should include:</p> <p>(1) sessions on use of the policy and its procedures; and</p> <p>(2) Members roles and responsibilities both within the Council's committee structure and sitting on Boards and Committees outside of the Council.</p> | Agreed |
| 17 | Medium | <p>The Council should develop effective performance monitoring and reporting and to do this should record the themes, trends and outcomes across the Council. This information should be reported to CLT and Members, as clarified in recommendation 7.</p> | The redrafted policy and procedure addresses this |

| | |
|--|---|
| <p><i>Non-Executive Report of the:</i> Audit Committee 16TH November 2017</p> |  TOWER HAMLETS |
| <p>Report of: Zena Cooke - Corporate Director - Resources</p> | <p>Classification: Unrestricted</p> |
| <p>Corporate Anti-Fraud Team Outturn 2016-17</p> | |

| | |
|-------------------------------|------------|
| Originating Officer(s) | Tony Qayum |
| Wards affected | All wards |

1. INTRODUCTION

- 1.1 This report provides an outturn for the last financial year 2016-17.
- 1.2 It captures the work of the Corporate Anti-Fraud team which includes Corporate Investigations, Social Housing Fraud Investigations and Anti-Fraud work around Parking Services.

2. RECOMMENDATIONS

- 2.1 The Audit Committee is asked to note the contents of the report.

3. BACKGROUND

- 3.1 This report provides the Audit Committee with a summary of work on sensitive and reactive enquiries undertaken during 2016/17. It includes an overview of the results of the investigations carried out by Corporate Investigations, Parking Services and the Social Housing Fraud Investigation service.
- 3.2 The following table shows the resources, expressed as full time equivalent (FTE) posts, that deliver the services covered in this report.

| Service | FTE | Role |
|------------------|-----|--|
| Risk Management | 1 | <ul style="list-style-type: none"> • Corporate Anti-Fraud Manager • Corporate Anti-Fraud Team Leader |
| | 1 | |
| | 2 | <ul style="list-style-type: none"> • Corporate Anti-Fraud Investigators |
| | 1 | <ul style="list-style-type: none"> • Tenancy Fraud Team Leader • Tenancy Fraud Officers • Temp Tenancy Fraud Officer – THH Funded |
| 2 | | |
| 1 | | |
| Parking Services | 1.5 | <ul style="list-style-type: none"> • Parking Fraud Investigation Officers |

An analysis of the notional savings achieved as a result of the anti-fraud and reactive work carried out by the team is attached as Appendix 1.

4. KEY ACTIVITIES AND ACHIEVEMENTS FOR 2016/17

- 4.1 There have been seven substantial inquiries which have involved close working between the relevant Directorates, the Corporate Anti-Fraud Service, the Department for Work and Pensions (DWP), Police and Legal Services.
- 4.2 The resultant investigations covered an extensive range of systems and processes and required substantial staff resources to finalise all of the issues relating to criminality.
- 4.3 The Corporate Anti-Fraud service has also provided support to Directorates upon request. This included an ongoing review of the National Fraud Initiative, investigations into potential systems abuses in front line services and a range of investigations into allegations of financial impropriety from a range of referrals.
- 4.4 We have worked closely with the DWP Organised Fraud unit and the London Borough of Redbridge on an extensive fraud involving false pay details associated with European Economic Area workers. The total value of the fraud was £1.6m including £600k for LBTH, £578k for LB Redbridge and £420k in Tax Credits.
- 4.5 We are continuing to work closely with the DWP Organised Fraud unit regarding concerns about other employers who may have falsified income records in the same way.
- 4.6 We have continued to work closely with the Council's Legal Service on a number of matters including employment law issues and governance. This includes matters relating to:

- Money Laundering;
 - Whistleblowing processes for all types of whistleblows including fraud, corruption and professional practice including care and safeguarding matters (this is covered in a separate report elsewhere on the agenda);
 - Data Protection;
 - the Parking Service with regard to Blue Badge irregularity;
 - and worked corporately where instances of reputational concern and or fraud have been identified.
- 4.7 We have also supported the Housing Tenancy Fraud Investigators to in tackling Sub Letting of Tower Hamlets Homes and Registered Social Landlord properties.
- 4.8 We have organised several training sessions with staff and external bodies/visitors on Anti-Fraud and Corruption matters as part of our proactive initiatives and more are planned for this financial year, together with training exercises with our Risk Management Service.
- 4.9 We have continued to deliver against the Service Level Agreement with Parking Services and undertaken pro-active initiatives with the Police and other public sector agencies.
- 4.10 We have continued to play an active part in the London Boroughs Fraud Investigation Group, a multi borough working group to focus on enhancing the effective response to fraud risks in the public sector and been an active participant with CIPFA on the professional standards best practice work on Fraud Investigation which is due to be issued later this year.
- 4.11 Following the transfer of the HB Fraud Investigation team to the DWP in February 2016 we have developed the Intelligence team to engage on more corporate work including supporting initiatives within the audit Service.¹² We have also concluded all legacy cases remaining within the Council from the Housing Benefit investigations. These are captured in the attached outturn Appendix 1.

5. THE NATIONAL FRAUD INITIATIVE (NFI)

- 5.1 The National Fraud Initiative (NFI) data matching exercise has continued to be supported, and our efforts continue to maximise the benefits from its output. The Cabinet Office now manages this activity since the closure of the Audit Commission in March 2015.
- 5.2 The Corporate Anti-Fraud service has undertaken detailed reviews of all subject areas to ensure the final out turn for the exercise is robust and evidenced based.
- 5.4 The following is a summary of the results of the LBTH outcome from the NFI work.

A total of £1,045,069 has been identified as monetary losses. The 2014 exercise will be drawing to a close later this year. A breakdown of the losses is set out in the following table.

| Area | Loss (£) |
|--|------------------|
| Housing Benefit/Council Tax Reduction/Council Tax Benefit overpayments | 569,684 |
| DWP overpaid benefits | 237,054 |
| Administrative Penalties levied | 15,074 |
| Pensions | 14,819 |
| Payroll | 29,312 |
| Creditors duplicate payments | 122,297 |
| Council Tax Single Person Discount | 56,829 |
| TOTAL | 1,045,069 |

6. OTHER ACTIVITY

6.1 In addition to the work set out above, the Corporate Anti-Fraud Team has also been involved in:

- On-going liaison and support to corporate and departmental personnel;
- Proactive joint working with other Local Authorities, the Police, the DWP, Registered Housing providers and other government agencies; and
- Ongoing training and development with the services within the Council.

7. SOCIAL HOUSING RECOVERIES

7.1 The team involved in this activity consists of three staff. The team has achieved 44 recoveries for the year and were able to prevent 12 inappropriate Right to Buy sales from going forward. This work represents a saving of in excess of £103,900 per unit in non-applied discounts.

7.2 We have continued to focus on Right to Buy cases and assisted Tower Hamlets Homes and the Council's legal service with improved verification arrangements of financial circumstances and introduced anti- money laundering documentation to satisfy ourselves that we are disposing of assets correctly.

7.3 The success of the team is clear with in excess of 250 recoveries since the team was created in 2010 and a significant impact on systems and processes to improve the Council's Lettings Service as well as

improvements to systems and better controls within our ALMO, Tower Hamlets Homes.

8. PARKING SERVICES

- 8.1 There were 149 recovered Disabled Badges and 34 Permits cancelled together with 56 Parking Control Notices issued.
- 8.2 The team's success is one of the most significant in London and we intend to continue to reduce the abuse of Blue Badge to keep it at the lowest possible level. We will remain vigilant to this significant and antisocial risk.

9. COMMENTS OF THE CHIEF FINANCE OFFICER

- 9.1 This report provides a summary of investigations and prosecutions carried out by Corporate Investigations, Parking Services and the Social Housing Fraud Investigation services in 2016/17. This has resulted in the notional and actual savings circa £14m to the council (detailed in appendix 1).

- 9.2 There are no specific financial implications emanating from this report.

10. LEGAL COMMENTS

- 10.1 This report advises of the work of the Anti-Fraud Service undertaken during 2016/17 including Enforcement Investigations.
- 10.2 Where the Council takes enforcement action as a result of an investigation then it does so in accordance with the Council's Enforcement Policy. The Enforcement Policy provides that the Council's approach to enforcement is founded on firm but fair regulation, around the principles of:
- raising awareness of the law and its requirements
 - proportionality in applying the law and securing compliance
 - consistency of approach
 - transparency about the actions of the Council and its officers
 - targeting of enforcement action.
- 10.3 The Council is required when exercising its functions to comply with the duty set out in section 149 of the Equality Act 2010, namely to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity between those who share a protected characteristic and those who do not, and foster good relations between those who share a protected characteristic and those who do not. An equality analysis was conducted prior to approval of the Enforcement Policy by Cabinet on 3 October 2012. It is recognised that Enforcement action may lead to indirect discrimination in limited circumstances but prior to taking any proceedings, an assessment as to whether the case

meets the two stages in the Code for Crown Prosecutors is undertaken so that there is both a realistic prospect of a conviction and that it is in the public interest to prosecute. Further, proceedings are kept under review once initiated.

11. ONE TOWER HAMLETS CONSIDERATIONS

- 11.1 This report highlights risks arising from exploitation of assets for personal gain. The ongoing management of risks through enhanced vouching and control will assist so that effective governance can be put in place to manage the authority's exposure to risk.

12. ANTI-POVERTY CONSIDERATIONS

- 12.1 There are no specific Anti-Poverty issues arising from this report.

13. RISK MANAGEMENT IMPLICATIONS

- 13.1 This report highlights risks relating to the coverage of Anti-Fraud within the Council and the arrangements to respond to allegations of Fraud and Corruption. It demonstrates how the Council is responding to potential risks to the control framework that may be exploited by fraudsters.

14. SAGE

- 14.1 There are no specific SAGE implications.

15 CRIME AND DISORDER IMPLICATIONS

- 15.1 By having sound systems of control, the Council can safeguard against fraud and abuse of financial resources and assets.

| APPENDIX 1 – NOTIONAL SAVINGS | | | | |
|---|-------------|--|---|------------------|
| | No of cases | Notional future savings value per case (£) | Notional future savings value total (£) | Actual Value (£) |
| NFI (Final 2 year outturn) | | | | |
| Identified value of overpayment/losses - recovery in process | | | | 1,045,069 |
| Housing properties recovered. | 44 | 250,000** | 11,000,000 | |
| | | | | |
| | | | | 1,045,069 |
| <u>Value of other Anti-Fraud work carried out in 2016/17</u> | | | | |
| | | | | |
| Benefits Prosecutions and Administrative Penalties (Legacy and joint case with Redbridge and DWP) | 4* | | | 692,800* |
| Corporate Prosecutions | 3 | | | 64,080 |
| Parking Control Notices | 56 | 60 | 3,360 | |
| Parking Permit Cancelled | 34 | 8,000 | 272,000 | |
| Right to Buy Prevention | 12 | 103,900 | 1,246,800 | |
| Blue badge recoveries | 149 | 8,000 | 1,192,000 | |
| * 3 Prosecutions were related to the EEA fraud valued at £600K | | | | |
| ** Figures based on conservative open market valuation of £250,000 per unit. | | | | |
| Overall Totals | | | 13,714,160 | 1,801,949 |

| | |
|---|---|
| <p><i>Non-Executive Report of the:</i></p> <p>Audit Committee</p> <p>16th November 2017</p> |  <p>TOWER HAMLETS</p> |
| <p>Report of: Zena Cooke - Corporate Director - Resources</p> | <p>Classification: Unrestricted</p> |
| <p>National Fraud Initiative 2016 Progress</p> | |

| | |
|-------------------------------|------------|
| Originating Officer(s) | Sue Oakley |
| Wards affected | All wards |

1 Summary

- 1.1 This report provides details of the background and evolution of the National Fraud Initiative, and the National Fraud Initiative (NFI) 2016 exercise. This is a bi-annual data matching exercise whereby all Local Authorities and some other government agencies match their data to prevent and detect fraud and error in their systems.

2 Recommendations

- 2.1 The Audit Committee is asked to note this report.

3 Background

- 3.1 The NFI compares different sets of data, for example payroll and benefit records against other records held by the same or another organisation, bringing to light potentially fraudulent claims and payments. Where a match is found it may mean that further investigation is required.
- 3.2 The NFI has been running since 1994, and was originally managed by the Audit Commission.
- 3.3 Over time the exercise has evolved to extend its partners to all Local Authorities in England, Wales, Scotland and Northern Ireland, and now includes pension details from the Police, Health Service and Fire Service. To date over £1 billion has been identified in fraud and overpayments over the various exercises across the country.
- 3.4 The exercise is now managed by the Cabinet Office following the dissolution of the Audit Commission.

4 The 2016 (Current) Exercise

- 4.1** The main NFI matching exercise takes place bi- annually, with the current exercise commencing in October 2016 when the data was supplied by all relevant parties. This exercise is now mid-term.
- 4.2** In addition to this there is an annual match of Council Tax data against Electoral Register data. This match is run each January/February.
- 4.3** Below is a list of the 18 data sets provided to NFI for matching purposes:

| | |
|-------------------------|---------------------------------------|
| LBTH Pensions | Transport Passes /Residents Permits |
| LBTH Payroll | Blue Badge Holders |
| Housing Benefits | Right to Buy Applicants |
| Housing Tenants (THH) | Personal Budget Holders |
| Insurance Claimants | Private Supported Care Home Residents |
| Market Traders | Creditors Standing/ address book |
| Alcohol Licence Holders | Creditors Payments |
| Electoral Register | Council Tax account holders |
| Waiting List applicants | Council Tax Reduction recipients |

- 4.4** In January 2017 the matches from the main exercise were released and for this Authority totals 17,066 individual matches. These are presented in reports collated by type of match and subject matter.
- 4.5** The matched data is contained on a secure website and access is granted to officers from each relevant service so that they can examine their own particular output and evaluate each match for the likelihood of fraud or error.
- 4.6** The majority of the matches are erroneous, and arise because the data held is not completely up to date, has been inaccurately input, or simply that the matching criteria is not as well targeted as it might be . However, ideally each one should be examined to eliminate the non-problem matches.
- 4.7** Because of the sheer volume and spread of matched output there are invariably some reports that are not fully examined. The NFI system has its own inbuilt risk assessment system and this is used as a guideline to prioritise those matches which need attention as a priority. Also, experience and knowledge of previous years' exercises dictates which reports yield results, and which involve less accurate data and therefore contain largely inaccurate matches. This also helps us to prioritise the progress of the exercise.
- 4.8** The Risk Management Section oversees the exercise, and aims to guide each service to completing its batch of NFI reports. Some

reports are dealt with entirely by investigators within the Risk Management Section, since investigators specialising in these areas are based within the team.

- 4.9** Where fraud or error is identified on a particular match the details are recorded on the NFI system, and in most cases recovery of the monies is sought. Where a system weakness is identified, the service in question should seek to resolve the issue by strengthening their controls to prevent recurrence. Similarly matches arising from data errors should prompt the service to improve the quality of its data.
- 4.10** In addition to the main bi-annual exercise, annual matching takes place between Council Tax data and Electoral Register data, which is designed to identify irregularities in those claiming Single Person Council Tax discounts.

5 Progress on the current Exercise

- 5.1** To date 1350 matches have been processed, and a further 163 are in progress. Twenty one cases of fraud have been identified and a further 55 cases of 'error' have been recorded. Matches cleared with no issue amount to 1237.
- 5.2** The total monetary value identified so far on the system amounts to c£78k.
- 5.3** A breakdown of the results raised so far is shown below:

| Subject | Monetary value | Number of cases | Details |
|-----------------|-----------------------|--|--|
| LBTH Pensions | £55,950.90 | 20 (not yet categorised as fraud or error) | Recovery is being sought in 20 cases |
| Blue Badge | Not valued | 26 (21 cases of fraud and 5 error) | These Blue Badges have been stopped or recovered |
| Waiting List | Not valued | 50 (all categorised as error) | This is the number of applicants removed from the waiting list as a result of the matches. |
| Council Tax SPD | £22,265.94 | 59 (not yet categorised as fraud or error) | Recovery is sought by re-billing via Council Tax |

- 5.4** The LBTH Pensions value arose where the matches highlighted pensioners who had died, unknown to the authority. On these cases

recovery is sought by the Pensions Section via their liaison with the deceased's family.

- 5.5 Twenty six Blue Badges have been recovered or stopped to date due to the recipient being deceased, unbeknown to the authority. A further 51 badges are presently under investigation.
- 5.6 Fifty applicants have to date been removed from the housing waiting list as matches have identified they are deceased.
- 5.7 Single Person Discount in 59 case have been removed, which is a result of Revenue Services proactive work with an external provider combined with information provided by the NFI matched output.
- 5.8 In previous exercises the Housing Benefit matches accounted for the bulk of the irregularities found, and these were sifted and investigated by the Authority, sometimes in conjunction with the DWP. However since the transfer of the benefit investigations function to the DWP in February 2016 the responsibility for the investigation now lies with the DWP.

7 Comments of the Chief Finance Officer

- 7.1 This report provides an update on progress with the National Fraud Initiative work as part of the 2016-17 Programme. To date the Council has identified actual savings of around £78,000 from cessation of Pensions and Single Person Discount and further notional savings from cancelation of Blue Badge and removal from house waiting list following successful matches of irregularities (details are provided in 5.3 above).

8 Legal Comments

- 8.1 The Serious Crime Act 2007 gave the Audit Commission new statutory powers to conduct data matching exercises by inserting a new Part IIA into the Audit Commission Act 1998 ('the 1998 Act'). Although the 1998 Act was abolished by the Local Audit and Accountability Act 2014 ('the 2014 Act'), the National Fraud Initiative (NFI) was moved to the Cabinet Office in advance of the closure of the Audit Commission.
- 8.2 Statutory Guidance released pursuant to section 32(g) of the 1998 Act, "The Code of Data Matching Practice" was published in 2008 and most recently updated on 20 March 2015. The statutory basis for this code is now set out in Schedule 9 of the 2014 Act. The purpose of this code is to help ensure that the NFI and everyone involved in NFI data matching exercises comply with the law, especially the provisions of the Data Protection Act 1998. It also promotes good practice in data matching. It includes guidance on:

- the notification process for letting individuals know why their data is matched and by whom
- the standards that apply
- where to find further information

8.3 Additionally, unless certain exemptions within the Data Protection Act 1998 apply, the Council is required to provide fair processing information which complies with the “Fair Processing” Statutory Guidance released on 20 March 2015.

8.4 A consultation is currently underway to revise the code to bring it in line with the current technology used to gather the data and upcoming legislative changes, such as the General Data Protection Regulation which comes into force on 25 May 2018.

8.5 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council’s functions. The consideration by the Audit Committee of this report is consistent with the Council’s obligations and is within the Committee’s functions.

9. One Tower Hamlets

9.1 There are no specific one Tower Hamlets considerations.

9.2 There are no specific Anti-Poverty issues arising from this report

10. Best Value Implications

10.1 This report highlights areas where internal control, governance and risk management can be improved to meet the Best Value Duty of the Council.

11. Risk Management Implications

11.1 This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. The risks highlighted in this report require management responsible for the systems of control to take steps so that effective governance can be put in place to manage the authority’s exposure to risk.

12. Sustainable Action for a Greener Environment (SAGE)

12.1 There are no specific SAGE implications.

13. Crime and Disorder Reduction Implications

13.1 By having sound systems of controls, the Council can safeguard against the risk of fraud and abuse of financial resources and assets.

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| Non-Executive Report of the: Audit Committee 16 November 2017 |  TOWER HAMLETS |
| Report of: Zena Cooke, Corporate Director, Resources | Classification: Unrestricted |
| Treasury Management Mid-Year Report (April 2017 - September 2017) | |

| | |
|------------------------|--|
| Originating Officer(s) | Bola Tobun – Investment & Treasury Manager |
| Wards affected | All Wards |

Summary

This report advises the Committee of the Council's borrowing and investment activities from 1st April 2017 to 30th September 2017. The Treasury Management Strategy Statement and the Treasury Prudential Indicators, for 2017/18 were approved by the Council on 22nd February 2017 as required by the Local Government Act 2003. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

For this reporting period, the Council earned an average return of 0.53% on its lending, outperforming the actual rolling average 7 day LIBID rate of 0.11%.

Over the reporting period, all treasury management activities have been carried out in accordance with the approved limits and the prudential indicators set out in the Council's Treasury Management Strategy statement. No long-term or short-term borrowing has been raised since the commencement of this financial year 2017/18 to reporting period.

Recommendations:

Members are recommended to:

- note the contents of the treasury management activities and performance against targets for half year ending 30th September 2017;
- note the Council's outstanding investments which amount to £447.1m at 30th September 2017 (appendix 2);
- note the potential impact on the Council of becoming a retail client with effect from 3rd January 2018 as set out at section 3.7; and
- note the protections available to retail clients that the Council will forgo as a result of opting up to professional client (appendix 4).

1. REASONS FOR THE DECISIONS

- 1.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 requires that regular reports be submitted to Council/Committee detailing the council's treasury management activities.
- 1.2 This report updates on both the borrowing and investment decisions made by Corporate Director, Resources under delegated authority in the context of prevailing economic conditions and considers Treasury Management performance measured against the benchmark 7 day LIBID rate.
- 1.3 Treasury management is defined as "the management of the Council's investments and cash flows; its banking, money market and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.4 The regular reporting of treasury management activities should assist in ensuring that Members are able to scrutinise officer decisions and monitor progress on implementation of investment strategy as approved by Full Council.
- 1.5 The Council also agreed as part of the Treasury Management Strategy Statement to receive a number of reports. Furthermore, the CIPFA Treasury Management Code of Practice requires that Full Council/Committee should receive a Mid-Year Report reviewing Treasury Management/Investment.

2. ALTERNATIVE OPTIONS

- 2.1 The Council is bound by legislation to have regard to the Treasury Management (TM) Code. The Code requires that the Council or a sub-committee of the Council (Audit Committee) should receive regular monitoring reports on treasury management activities.
- 2.2 If the Council were to deviate from those requirements, there would need to be some good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that Members are kept informed about treasury management activities and to ensure that these activities are in line with the investment strategy approved by the Council.
- 2.3 Within reason, the Council can vary its treasury management strategy having regard to its own views about its appetite for risk in relation to the financial returns required.

3. DETAILS OF REPORT

- 3.1 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require local authorities to have regard to the Treasury Management Code. The Treasury Management code requires that the Council or a sub-committee of the Council (Audit Committee) should receive regular monitoring reports on treasury management activities and risks.
- 3.2 The Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision reports were included in the Budget Pack that was presented to Full

Council on 22 February 2017. The 2016/17 Outturn report was approved by Full Council on 21 July 2017.

3.3 This mid - year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- Interest Rate Forecast for the next six months of 2017/18.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy, which constitutes the following:
 - The Council's borrowing strategy for 2017/18.
 - The Council's investment strategy for 2017/18.
 - The Council's investment portfolio for 2017/18.
 - The Council's capital expenditure (prudential indicators).
 - A review of compliance with Treasury and Prudential Limits for 2017/18.

3.4 **Interest Rate Forecast** - The Council's newly appointed treasury advisor, Arlingclose, has provided the following forecast:

3.4.1 The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Both consumer and business confidence remain subdued. Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low and real earnings growth (i.e. after inflation) struggles in the face of higher inflation.

3.4.2 The Bank of England's Monetary Policy Committee has changed its rhetoric, implying a rise in Bank Rate in "the coming months". Arlingclose is not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

3.4.3 This decision is still very data dependant and Arlingclose is, for now, maintaining its central case for Bank Rate at 0.25% whilst introducing near-term upside risks to the forecast as shown below. Arlingclose's central case is for gilt yields to remain broadly stable in the across the medium term, but there may be near term volatility due to shifts in interest rate expectations.

| | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Arlingclose Central Case | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Downside risk | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |

3.5 Treasury Management Strategy 2017/18

- 3.5.1 The Council's Treasury Management Strategy was approved on 22nd February 2017 by Full Council. The Strategy comprehensively outlines how the treasury function will operate throughout the financial year 2017/18 including the limits and criteria for selecting institutions to be used for the investment of surplus cash and the Council's policy on long-term borrowing and limits on debt.
- 3.5.2 All investments made from the start of the year up to 30th September have been with counterparties on the Council's approved lending list.
- 3.5.3 The Pension Fund cash balances fluctuated between £15m and £140m during the reporting period. This was as a result of the following activities; £50m redeemed in May 2017 and £75m redeemed in August 2017 from the GMO portfolio and £15m in-house working capital. The cash was invested in accordance with the Council's Treasury Management Strategy agreed by Full Council on the 22nd February 2017, under the delegated authority of the Corporate Director, Resources and was managed in-line with the agreed parameters. The cash balance outstanding at 30th September 2017 was £6.5m as a result of £140m being transferred to a fund manager (LCIV) for investments. Pensions Committee is updated on Pension Fund investment activity on a quarterly basis.
- 3.5.4 On 31st March 2017, the Council had net investments of £361m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in table 1 below.

Table 1: Balance Sheet Summary

| | 31st March 2017 Actual £m |
|--------------------------------|---|
| General Fund CFR | 206.037 |
| HRA CFR | 75.666 |
| Total CFR | 281.703 |
| Less: Other debt liabilities * | (36.304) |
| Borrowing CFR | 245.399 |
| Less: Usable reserves | (478.489) |
| Less: Working capital | (128.274) |
| Net (investments) | (361.364) |

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

- 3.5.5 The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 30th September 2017 and the change in the quarter is show in table 2 below.

Table 2: Treasury Management Summary

| | 31.03.17 Balance £m | Mid -Year Movement £m | 30.09.17 Balance £m | 30.09.17 Rate % |
|---------------------------|---------------------------|-----------------------------|---------------------------|-----------------------|
| Long-term borrowing | 85.936 | (0.000) | 85.936 | 4.55 |
| Short-term borrowing | 00.000 | 0.000 | 0.000 | |
| Total borrowing | 85.936 | (0.000) | 85.936 | 4.55 |
| Long-term investments | 25.000 | (5.000) | 20.000 | |
| Short-term investments | 295.500 | (44.500) | 251.000 | |
| Cash and cash equivalents | 126.800 | 49.300 | 176.100 | |
| Total investments | 447.300 | (0.200) | 447.100 | 0.53 |
| Net investments | 361.364 | | 361.164 | |

Due to unfavourable interest rates offered by Local Authorities, investments that were with other LAs which have matured were reinvested in money market funds (MMF) pending better opportunities in the market.

Borrowing Strategy during the half year

- 3.5.6 The Council held £85.936m of loans at 30th September 2017 which is the same position as at 31st March 2017. No borrowing has been undertaken and also no debt rescheduling opportunities have arisen during this financial year as the cost of premiums outweighs savings that could be made from the lower PWLB borrowing rates. The borrowing position as at 30th September is show in table 3 below.

Table 3: Borrowing Position

| | 30.09.17 Balance £m | 30.09.17 Rate % | 30.09.17 WAM* years |
|-------------------------|------------------------|--------------------|------------------------|
| Public Works Loan Board | 8.436 | 6.64 | 7.7 |
| Banks (LOBO) | 60.000 | 4.32 | 42.6 |
| Banks (fixed-term) | 17.500 | 4.34 | 60.1 |
| Total borrowing | 85.936 | 4.55 | 42.7 |

*Weighted average maturity

- 3.5.7 The Council takes a low risk approach to its borrowing strategy. This means that the principal objective when borrowing has been to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The secondary objective being to have flexibility to renegotiate loans should the Council's long-term plans change.
- 3.5.8 Over the first six months of this financial year no new borrowing was undertaken and no maturity of existing loans occurred hence there is no loans replacement.

This strategy enabled the Council to reduce its net borrowing costs (despite foregone investment income) and reduce the overall risk.

3.5.9 The “cost of carry” analysis performed by Arlingclose did not indicate any value in borrowing in advance for future years’ planned expenditure and therefore no borrowing has been undertaken at this stage of the year.

3.5.10 The Council continues to hold £60m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates. The Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the first six months of this financial year.

Investment Activity

3.5.11 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2017/18, the Council’s investment balance ranged between £437m to £502 million due to timing differences between income and expenditure. The investment position during the quarter is shown in table 4 below.

Table 4: Investment Position

| | 31.03.17 Balance £m | Mid-Year Movement £m | 30.09.17 Balance £m |
|---|--------------------------------|---------------------------------|--------------------------------|
| Banks & building societies (unsecured) | 240.000 | (5.000) | 235.000 |
| Government (incl. local authorities) | 165.500 | 0.500 | 166.000 |
| Money Market Funds | 41.800 | 4.300 | 46.100 |
| Total investments | 447.300 | (0.200) | 447.100 |

*Weighted average maturity

Performance Report

3.5.12 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 5 below.

3.5.13 As illustrated below in table 5, the Council outperformed the benchmark by **30bps** for reporting period. The Council’s budgeted investment return for 2017/18 is **45bps** (0.45%) with average cash balance of £350m, the performance for the year to reporting period is **53bps** with average cash balance of £435m, the performance to reporting period is **8bps** (0.08%) ahead of budget. Also the average cash balance is £85m more than budget balance for 2017/18.

Table 5: Investment performance for financial year to 30th September 2017

| Period | Benchmark Return | LBTH Performance | Over/(Under) Performance |
|-------------------------------|------------------|------------------|--------------------------|
| Full Year 2016/2017 | 0.30% | 0.63% | 0.33% |
| Quarter 1 | 0.11% | 0.42% | 0.31% |
| Quarter 2 | 0.11% | 0.53% | 0.42% |
| 2017/18 Year to Period | 0.11% | 0.53% | 0.42% |

3.5.14 Investment rates available in the market have been ultra-low since August 2016 when the MPC pegged the Base Rate at 0.25%. The cash balance available for investment purposes during this first six months fluctuated between £430m and £502m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Investments Outstanding & Maturity Structure

3.5.15 Table 6 below shows the amount of investments outstanding at the end of September 2017, split according to the financial sector.

| FINANCIAL SECTOR | £m | % |
|---|---------------|---------------|
| Banks in the UK | 55.00 | 12.30 |
| Building Societies in the UK | 20.00 | 4.47 |
| Banks in the Rest of the World | 160.00 | 35.79 |
| Government & Local Authorities | 166.00 | 37.13 |
| Money Market Funds | 46.10 | 10.31 |
| Investments Outstanding as at 30/09/2017 | 447.10 | 100.00 |

3.5.16 The chart 1 below illustrates the maturity structure of deposits at 30th September 2017; we have £46.10m as overnight deposits, and this is predominantly Money Market Funds.

3.5.17 The Weighted Average Maturity for outstanding investment portfolio is 149 days; this is the average number of outstanding days to maturity of each deal from 30th September 2017. This indicates a very low number of investments over 12 months.

Chart 1 – Maturity of Investment Portfolio as at 30th September 2017

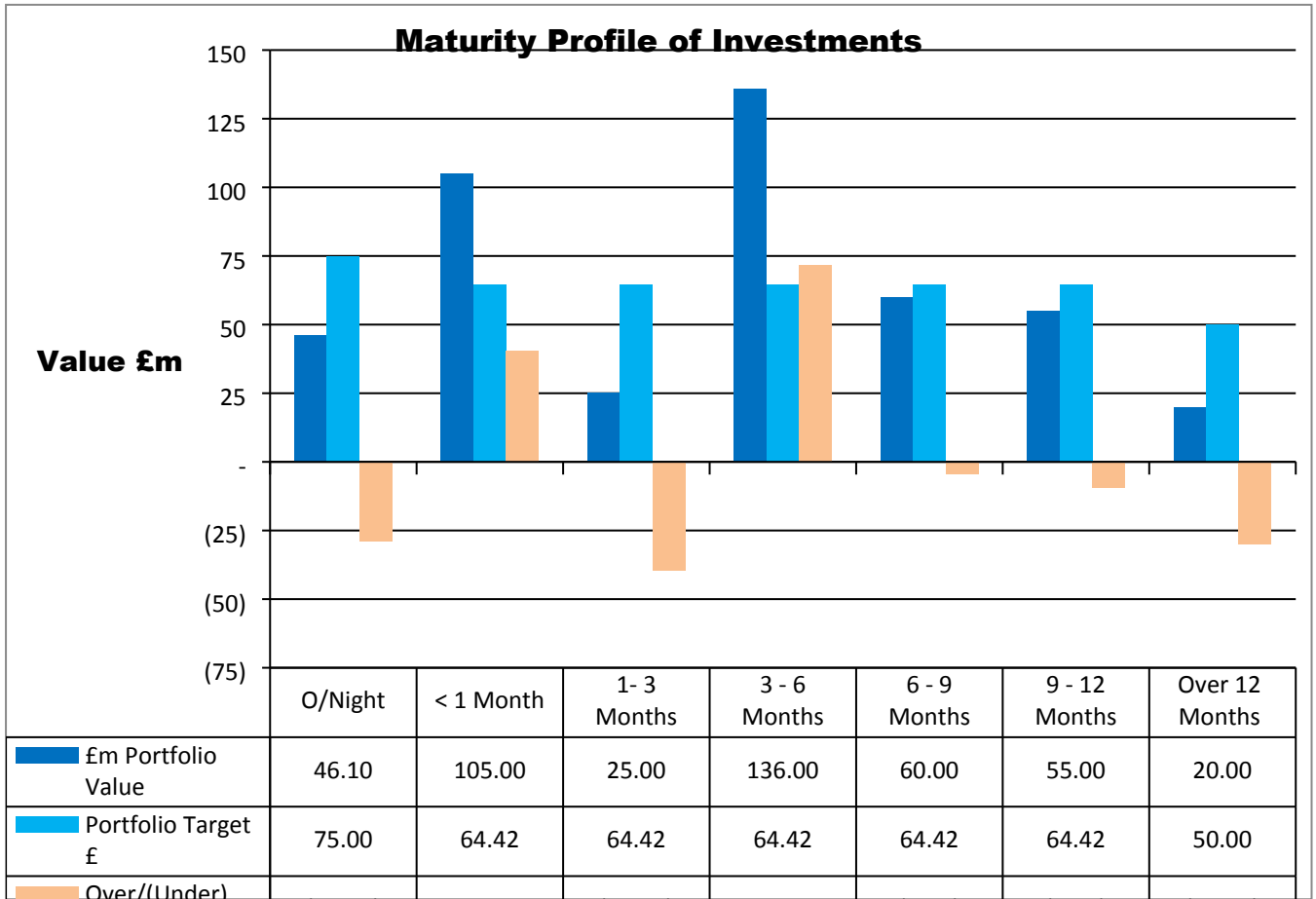
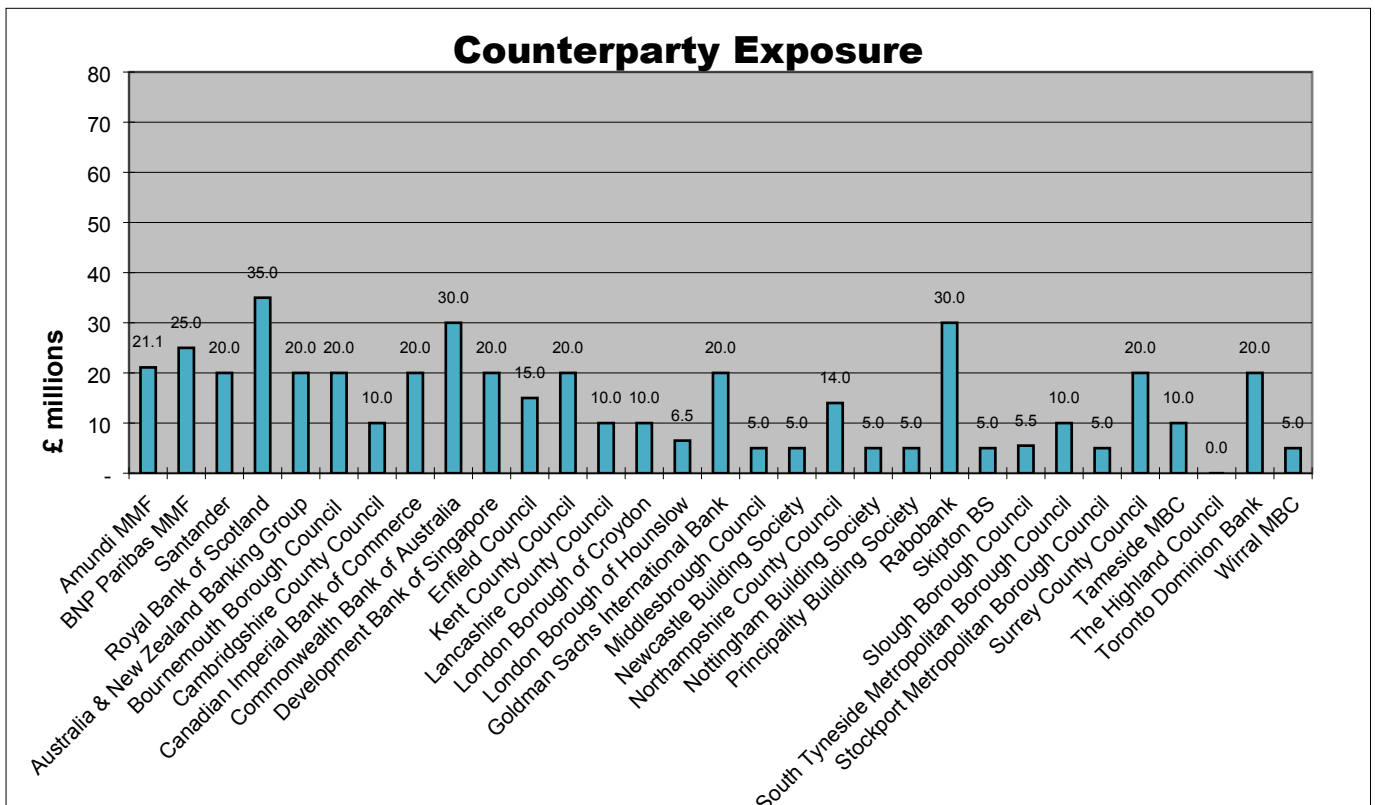


Chart 2 – Counterparty Exposure as at 30th September 2017



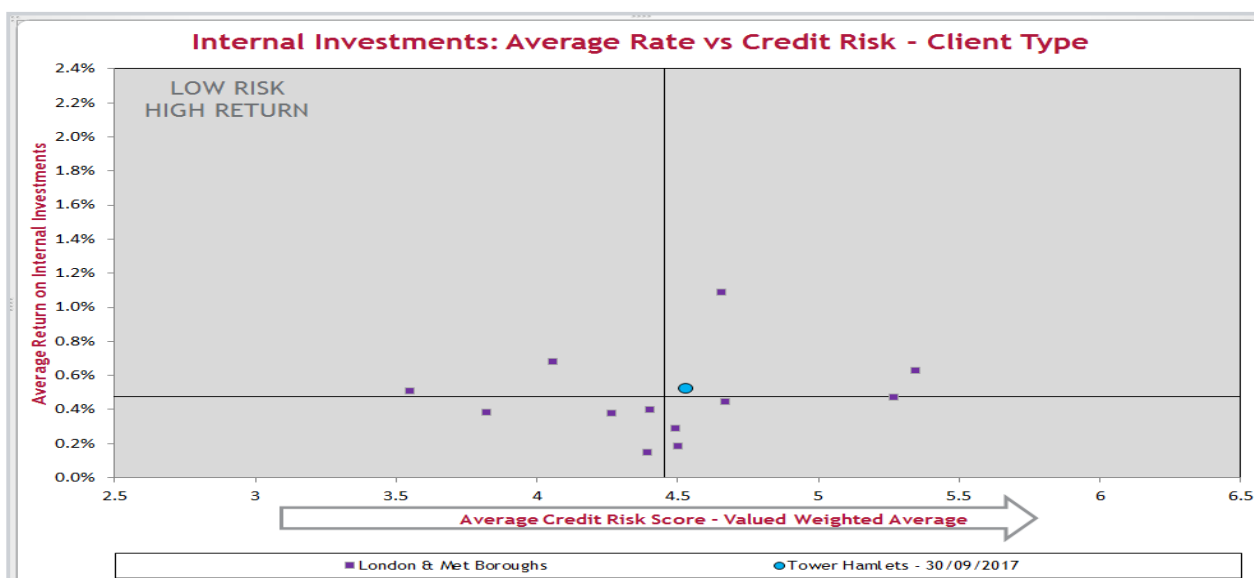
3.5.18 The chart 2 above shows the deposits outstanding with authorised counterparties as at 30th September 2017, of which 7.83% (£35m) were with RBS. The deals were executed when this institution was classified as part-nationalised bank. We are currently reviewing the classification of RBS Group as a part nationalised bank and the credit worthiness awarded to this institution under this tag.

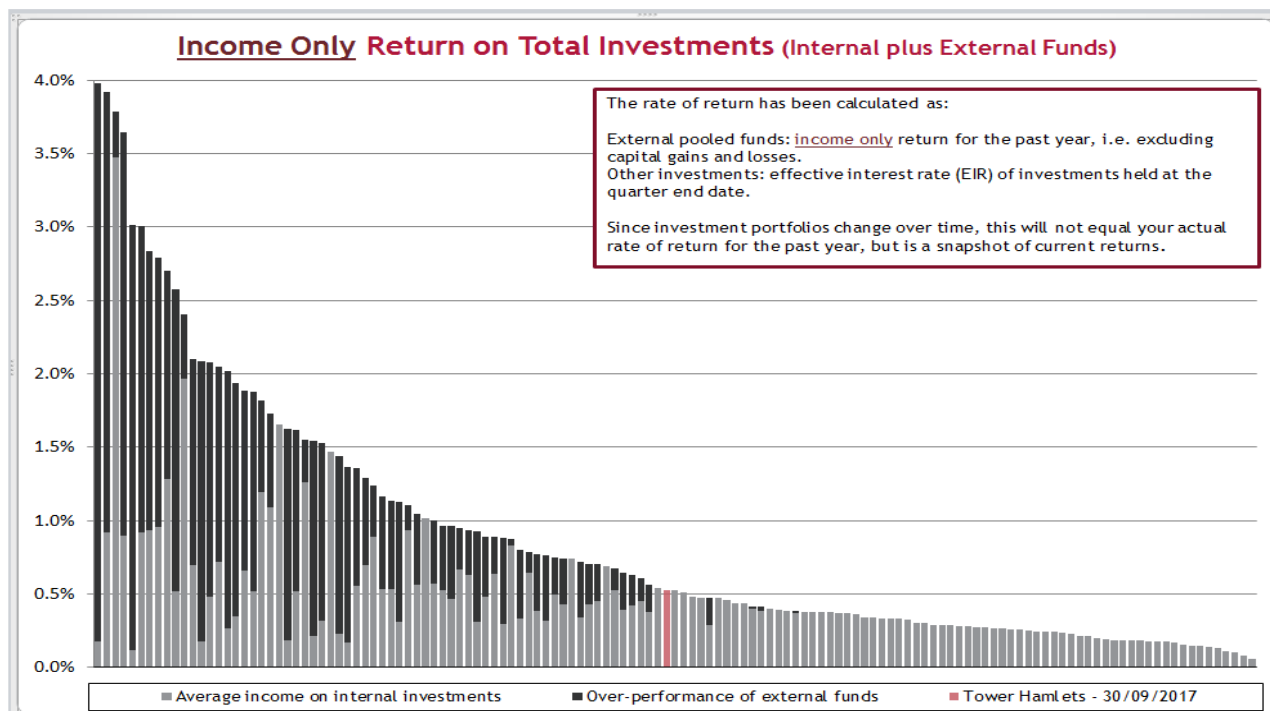
3.5.19 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council’s objective when investing money is to strike an appropriate balance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

3.5.20 Given the increasing risk and falling returns from short-term unsecured bank investments, the Council is looking to further diversify its investment portfolio into more secure and/or higher yielding asset classes. There is currently £200m that is available for longer-term investment and this will be moved from local authorities, bank and building society deposits into covered bonds, corporate bonds and also into pooled property/bond/equity funds. This action will diversify the investment risk and as a consequence, the average rate of return of investment will increase. The progression of risk and return metrics are shown in table 5 and the charts below, extracts from Arlingclose’s quarterly investment benchmarking report.

Table 5: Investment Benchmarking

| | Credit Score | Credit Rating | Bail-in Exposure | WAM* (days) | Internal Investments | Rate of Return |
|--------------------|--------------|---------------|------------------|-------------|----------------------|----------------|
| 31.03.2017 | 4.44 | A+ | 46% | 91 | £447.3m | 0.61% |
| 30.06.2017 | 4.78 | A+ | 72% | 79 | £501.9m | 0.42% |
| 30.09.2017 | 4.53 | A+ | 38% | 149 | £447.1m | 0.53% |
| Similar LAs | 4.45 | AA- | 63% | 137 | £102.9m | 0.48% |
| All LAs | 4.44 | AA- | 64% | 40 | £63.5m | 0.48% |





3.6 **Compliance Report**

- 3.6.1 The Corporate Director, Resources is pleased to report that all treasury management activities undertaken during the first half of 2017/18 complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.
- 3.6.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

Table 8: Debt Limits

| | 2017/18 Forecast | 30.9.17 Actual | 2017/18 Operational Boundary | 2017/18 Authorised Limit | Complied |
|----------------------|-------------------------|-----------------------|-------------------------------------|---------------------------------|-----------------|
| Borrowing | 90.833 | 85.936 | 245.299 | 265.256 | ✓ |
| PFI & finance leases | 34.957 | 34.957 | 34.957 | 35.000 | ✓ |
| Total debt | 125.790 | 120.893 | 280.256 | 300.256 | ✓ |

- 3.6.3 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

3.7 **Treasury Management Indicators**

- 3.7.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

3.7.2 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating and credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| | 30.09.17 Actual | 2017/18 Target | Complied |
|---------------------------------|--------------------|-------------------|----------|
| Portfolio average credit rating | A+ | A- | ✓ |
| Portfolio average credit score | 4.66 | N/A | ✓ |

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

| | 30.09.17 Actual | 2017/18 Target | Complied |
|--|--------------------|-------------------|----------|
| Total cash available within [3] months | £176.10m | £75m | ✓ |
| Total sum borrowed in past [3] months without prior notice | nil | nil | ✓ |

3.7.4 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as [the amount / the proportion] of net [principal borrowed / interest payable] which is:

| | 2017/18 Maximum | 2017/18 Limit | Complied |
|--|--------------------|------------------|----------|
| Upper limit on fixed interest rate exposure | | 100% | ✓ |
| Upper limit on variable interest rate exposure | | 20% | ✓ |

3.7.5 Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

3.7.6 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

| | 30.09.17 Actual | Upper Limit | Lower Limit | Complied |
|--------------------------------|--------------------|----------------|----------------|----------|
| Under 12 months | £0.970m | 10% | 0% | ✓ |
| 12 months and within 24 months | £1.673m | 30% | 0% | ✓ |
| 24 months and within 5 years | £3.421m | 40% | 0% | ✓ |
| 5 years and within 10 years | £1.163m | 80% | 0% | ✓ |
| 10 years and above* | £78.709m | 100% | 0% | ✓ |

*This includes £60m LOBO with maturity date over 60 years and it could be call for repayment within the next 6 months following the last interest payment date ,but there is a very slim chance of this happening hence it is included in this category

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

3.7.8 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

| | 2017/18 | 2018/19 | 2019/20 |
|---|---------|---------|---------|
| Actual principal invested beyond year end | £20m | £20m | Nil |
| Limit on principal invested beyond year end | £100m | £100m | £100m |
| Complied | ✓ | ✓ | ✓ |

3.8 **Regulatory Update - MiFID**

3.8.1 Under the current UK regime, local authorities are automatically categorised as ‘per se professional’ clients in respect of non Markets in Financial Instrument Directive (MiFID) scope business and are categorised as ‘per se professional’ clients for MiFID scope business if they satisfy the MiFID Large Undertakings test. Local authorities that do not satisfy the Large Undertakings test may opt up to elective professional client status if they fulfil certain ‘opt-up criteria’.

3.8.2 Following the introduction of the Markets in Financial Instrument Directive 2014/65 (“MiFID II”) from 3 January 2018, firms will no longer be able to categorise a local public authority or a municipality that (in either case) does not manage public debt (“local authority”) as a ‘per se professional’ client or elective eligible counterparty (ECP) for both MiFID and non-MiFID scope business. Instead, all local authorities must be classified as “retail clients” unless they are opted up by firms to an ‘elective professional client’ status.

3.8.3 Furthermore, the FCA has exercised its discretion to adopt gold-plated opt-up criteria for the purposes of the quantitative opt-up criteria, which local authority clients must satisfy in order for firms to reclassify them as an elective professional client.

Potential impact

3.8.4 A move to retail client status would mean that all financial services firms like banks, brokers, financial institutions, advisers and fund managers will have to treat local authorities the same way they do non-professional individuals and small businesses. That includes a raft of protections ensuring that investment products are suitable for the customer’s needs, and that all the risks and features have been fully explained. This provides a higher standard of protection for the client but it also involves more work and potential cost for both the firm and the client, for the purpose of proving to the regulator that all such requirements have been met.

- 3.8.5 Such protections would come at the price of local authorities not being able to access the wide range of assets needed to implement an effective, diversified investment strategy. Retail status would significantly restrict the range of financial institutions and instruments available to authorities.
- 3.8.6 Even if the institution secures the ability to deal with retail clients, the range of instruments it can make available to the client will be limited to those defined under Financial Conduct Authority (FCA) rules as 'non-complex'. In many cases managers will no longer be able to even discuss ('promote') certain asset classes and vehicles with the authority as a retail client.

Election for professional client status

- 3.8.7 MiFID II allows for retail clients that meet certain conditions to elect to be treated as professional clients (to 'opt up'). There are two tests which must be met by the client when being assessed by the financial institution: the quantitative and the qualitative test.
- 3.8.8 The Local Government Pension Scheme Advisory Board (SAB) and the Local Government Association (LGA) along with the Department of Communities and Local Government (DCLG) and the Investment Association (IA) have successfully lobbied the FCA to make the test better fitted to the unique situation of local authorities.
- 3.8.9 The election to professional status must be completed with all financial institutions prior to the change of status on 3rd January 2018. Failure to do so by local authorities will result in the financial institution having to take 'appropriate action' which could include a termination of the relationship at a significant financial risk to the authority.
- 3.8.10 The SAB and the LGA have worked with industry representative bodies including the IA, the British Venture Capital Association (BVCA) and others to develop a standard opt-up process with letter and information templates. This process should enable a consistent approach to assessment and prevent authorities from having to submit a variety of information in different formats.
- 3.8.11 Applications can be made in respect of either all of the services offered by the institution (even if not already being accessed) or a particular service only. Tower Hamlets Council may wish to do the latter where the institution offers a wide range of complex instruments which the authority does not currently use and there is no intention to use the institution again once the current relationship has come to an end.
- 3.8.12 Authorities are not required to renew elections on a regular basis but will be required to review the information provided in the opt-up process and notify all institutions of any changes in circumstances which could affect their status.

Next Steps

- 3.8.13 In order to continue to effectively implement the authority's treasury management strategy after 3rd January 2018, applications for election to be treated as a

professional client will be submitted to all financial institutions with whom the Council has an existing or potential relationship in relation to its investments.

- 3.8.14 Appendix 3 sets out the opt-up process flowchart that the Council has been following. We have started the opting up process with our existing counterparties since September 2017, this is to ensure will obtain the professional client status confirmation from the counterparties in good time so we can continue to operate an effective treasury investment strategy.

4. **COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 4.1 The report informs the Committee of the treasury management activities, the financial implications are contained throughout the report.
- 4.2 The Council held an outstanding internally managed investments portfolio of £447.1m as at 30th September 2017. This portfolio earned an average rate of return of 0.53%. The comparable performance indicator is the average 7-day LIBID rate, which returned 0.11%.
- 4.3 The investment income budget for 2017/18 is £2.525m and the current forecast is that this will be achieved.

5. **LEGAL COMMENTS**

- 5.1 The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.
- 5.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Treasury Management Code") in carrying out capital finance functions under the Local Government Act 2003.
- 5.3 This noting report of the Corporate Director, Resources advises the Committee of the Council's borrowing and investment activities from 1st April 2017 to 30th September 2017 and is consistent with the key principles expressed in the Treasury Management Code. The Corporate Director Resources has responsibility for overseeing the proper administration of the Council's financial affairs, as required by section 151 of the Local Government Act 1972 and is the appropriate officer to advise in relation to these matters.
- 5.4 When considering its approach to the treasury management matters set out in the report, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty).

6 **ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1 Capital investment will contribute to achievement of the corporate objectives, including all those relating to equalities and achieving One Tower Hamlets. Establishing the statutory policy statements required facilitates the capital investments and ensures that it is prudent.

7. **BEST VALUE (BV) IMPLICATIONS**

- 7.1 The Treasury Management Strategy and Investment Strategy and the arrangements put in place to monitor them should ensure that the Council optimises the use of its monetary resources within the constraints placed on the Council by statute, appropriate management of risk and operational requirements.
- 7.2 Assessment of value for money is achieved through:
- Monitoring against benchmarks
 - Operating within budget

8 **SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 8.1 There are no sustainable actions for a greener environment implication.

9 **RISK MANAGEMENT IMPLICATIONS**

- 9.1 There is inevitably a degree of risk inherent in all treasury activity.
- 9.2 The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.
- 9.3 Treasury operations are undertaken by nominated officers within the parameters prescribed by the Treasury Management Policy Statement as approved by the Council.
- 9.4 The Council is ultimately responsible for risk management in relation to its treasury activities. However, in determining the risk and appropriate controls to put in place the Council has obtained independent advice from Capita Treasury Services who specialise in Council treasury issues.

10 **CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 10.1 There are no any crime and disorder reduction implications arising from this report.

APPENDICES

- Appendix 1 – Economic, Financial and Credit Commentary for the Period
- Appendix 2 – Investments Outstanding at 30 September 2017
- Appendix 3 – Opt up process flowchart
- Appendix 4 – Retail Clients Protections under MiFID II
- Appendix 5 – Glossary

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

Arlingclose LTD - Treasury Management Benchmarking Report and Mid-Year 2017/18 Report Template

**Brief description of “background papers’ Name and telephone number of holder
and address where open to inspection**

Bola Tobun, x4733, Mulberry Place

Appendix 1

ECONOMIC, FINANCIAL AND CREDIT BACKGROUND FOR PERIOD

1. **Economic backdrop:** Commodity prices fluctuated over the period with oil falling below \$45 a barrel before inching back up to \$58 a barrel. UK Consumer Price Inflation (CPI) index rose with the data print for August showing CPI at 2.9%, its highest since June 2013 as the fall in the value of sterling following the June 2016 referendum result continued to feed through into higher import prices. The new inflation measure CPIH, which includes owner occupiers' housing costs, was at 2.7%.
2. The unemployment rate fell to 4.3%, its lowest since May 1975, but the squeeze on consumers intensified as average earnings grew at 2.5%, below the rate of inflation. Economic activity expanded at a much slower pace as evidenced by Q1 and Q2 GDP growth of 0.2% and 0.3% respectively. With the dominant services sector accounting for 79% of GDP, the strength of consumer spending remains vital to growth, but with household savings falling and real wage growth negative, there are concerns that these will be a constraint on economic activity in the second half of calendar 2017.
3. The Bank of England made no change to monetary policy at its meetings in the first half of the financial year. The vote to keep Bank Rate at 0.25% narrowed to 5-3 in June highlighting that some MPC members were more concerned about rising inflation than the risks to growth. Although at September's meeting the Committee voted 7-2 in favour of keeping Bank Rate unchanged, the MPC changed their rhetoric, implying a rise in Bank Rate in "the coming months". The Council's treasury advisor Arlingclose is not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.
4. In contrast, near-term global growth prospects improved. The US Federal Reserve increased its target range of official interest rates in June for the second time in 2017 by 25bps (basis points) to between 1% and 1.25% and, despite US inflation hitting a soft patch with core CPI at 1.7%, a further similar increase is expected in its December 2017 meeting. The Fed also announced confirmed that it would be starting a reversal of its vast Quantitative Easing programme and reduce the \$4.2 trillion of bonds it acquired by initially cutting the amount it reinvests by \$10bn a month.
5. Geopolitical tensions escalated in August as the US and North Korea exchanged escalating verbal threats over reports about enhancements in North Korea's missile programme. The provocation from both sides helped wipe off nearly \$1 trillion from global equity markets but benefited safe-haven assets such as gold, the US dollar and the Japanese yen. Tensions remained high, with North Korea's threat to fire missiles towards the US naval base in Guam, its recent missile tests over Japan and a further testing of its latent nuclear capabilities.
6. Prime Minister Theresa May called an unscheduled General Election in June, to resolve uncertainty but the surprise result has led to a minority

Conservative government in coalition with the Democratic Unionist Party. This clearly results in an enhanced level of political uncertainty. Although the potential for a so-called hard Brexit is diminished, lack of clarity over future trading partnerships, in particular future customs agreements with the rest of the EU block, is denting business sentiment and investment. The reaction from the markets on the UK election's outcome was fairly muted, business confidence now hinges on the progress (or not) on Brexit negotiations, the ultimate 'divorce bill' for the exit and whether new trade treaties and customs arrangements are successfully concluded to the UK's benefit.

7. In the face of a struggling economy and Brexit-related uncertainty, Arlingclose expects the Bank of England to take only a very measured approach to any monetary policy tightening, any increase will be gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.
8. **Financial markets:** Gilt yields displayed significant volatility over the six-month period with the appearing change in sentiment in the Bank of England's outlook for interest rates, the push-pull from expectations of tapering of Quantitative Easing (QE) in the US and Europe and from geopolitical tensions, which also had an impact. The yield on the 5-year gilts fell to 0.35% in mid-June, but then rose to 0.80% by the end of September. The 10-year gilts similarly rose from their lows of 0.93% to 1.38% at the end of the quarter, and those on 20-year gilts from 1.62% to 1.94%.
9. The FTSE 100 nevertheless powered away reaching a record high of 7548 in May but dropped back to 7377 at the end of September. Money markets rates have remained low: 1-month, 3-month and 12-month LIBID rates have averaged 0.25%, 0.30% and 0.65% over the period from January to 21st September.
10. **Credit background:** UK bank credit default swaps continued their downward trend, reaching three-year lows by the end of June. Bank share prices have not moved in any particular pattern.
11. There were a few credit rating changes during the quarter. The significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities. Moody's downgraded Standard Chartered Bank's long-term rating to A1 from Aa3 on the expectation that the bank's profitability will be lower following management's efforts to de-risk their balance sheet. The agency also affirmed Royal Bank of Scotland's and NatWest's long-term ratings at Baa1, placed Lloyds Bank's A1 rating on review for upgrade, revised the outlook of Santander UK plc, and Nationwide and Coventry building societies from negative to stable but downgraded the long-term rating of Leeds BS from A2 to A3. The agency downgraded long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors.

12. S&P also revised Nordea Bank's outlook to stable from negative, whilst affirming their long-term rating at AA-. The agency also upgraded the long-term rating of ING Bank from A to A+.
13. Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In May, following Arlingclose's advice, the Authority reduced the maximum duration of unsecured investments with Bank of Scotland, HSBC Bank and Lloyds Bank from 13 months to 6 months as until banks' new structures are finally determined and published, the different credit risks of the 'retail' and 'investment' banks cannot be known for certain.
14. The new EU regulations for Money Market Funds were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility NAV (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

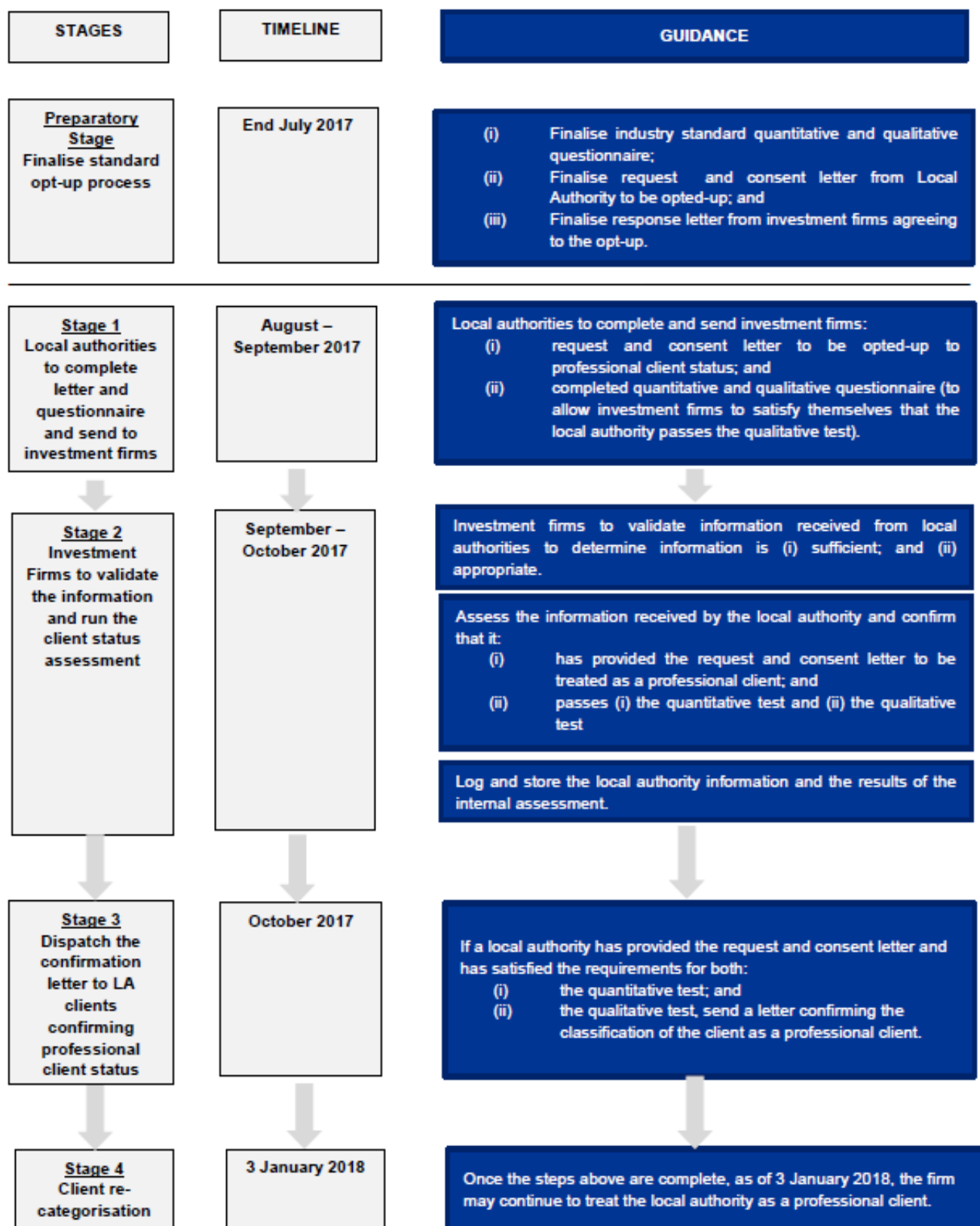
Appendix 2: Investments Outstanding as at 30th September 2017

| Time to Maturity | Counterparty | From | Maturity | Amount £m | Rate |
|------------------|---|------------------|------------|---------------|---------------|
| Overnight | Amundi MMF | | MMF | 21.10 | |
| | BNP Paribas MMF | | MMF | 25.00 | |
| | SUB TOTAL | | | 46.10 | |
| < 1 Month | Surrey County Council | 05/07/2017 | 05/10/2017 | 20.00 | 0.25% |
| | Rabobank | 06/07/2017 | 06/10/2017 | 20.00 | 0.26% |
| | Toronto Dominion Bank | 13/10/2016 | 12/10/2017 | 10.00 | 0.59% |
| | Canadian Imperial Bank of Commerce | 17/10/2016 | 16/10/2017 | 10.00 | 0.63% |
| | Canadian Imperial Bank of Commerce | 17/10/2016 | 16/10/2017 | 10.00 | 0.63% |
| | Toronto Dominion Bank | 17/10/2016 | 16/10/2017 | 10.00 | 0.61% |
| | Goldman Sachs International Bank | 24/10/2016 | 24/10/2017 | 10.00 | 0.90% |
| | Rabobank | 26/10/2016 | 25/10/2017 | 10.00 | 0.66% |
| | Wirral MBC | 26/09/2017 | 25/10/2017 | 5.00 | 0.25% |
| | | SUB TOTAL | | | 105.00 |
| 1 - 3 Months | Commonwealth Bank of Australia | 09/08/2017 | 09/11/2017 | 5.00 | 0.26% |
| | Goldman Sachs International Bank | 14/11/2016 | 14/11/2017 | 10.00 | 0.93% |
| | Middlesbrough Council | 26/09/2017 | 30/11/2017 | 5.00 | 0.32% |
| | Stockport Metropolitan Borough Council | 22/09/2017 | 15/12/2017 | 5.00 | 0.32% |
| | SUB TOTAL | | | 25.00 | |
| 3 - 6 Months | London Borough of Croydon | 22/09/2017 | 02/01/2018 | 10.00 | 0.35% |
| | London Borough of Hounslow | 26/09/2017 | 02/01/2018 | 6.50 | 0.35% |
| | South Tyneside Metropolitan Borough Council | 29/09/2017 | 02/01/2018 | 10.00 | 0.35% |
| | Santander | | CALL 95 | 20.00 | 0.60% |
| | Tameside MBC | 26/09/2017 | 03/01/2018 | 10.00 | 0.35% |
| | Kent County Council | 14/09/2017 | 22/01/2018 | 10.00 | 0.30% |
| | Royal Bank of Scotland | 30/01/2015 | 30/01/2018 | 5.00 | 1.20% |
| | Slough Borough Council | 20/02/2017 | 19/02/2018 | 5.50 | 0.60% |
| | Kent County Council | 14/09/2017 | 22/02/2018 | 10.00 | 0.32% |
| | Development Bank of Singapore | 06/09/2017 | 06/03/2018 | 20.00 | 0.34% |
| | Skipton BS | 23/03/2017 | 22/03/2018 | 5.00 | 0.78% |
| | Cambridgeshire County Council | 28/09/2017 | 28/03/2018 | 10.00 | 0.50% |
| | Northamptonshire County Council | 29/09/2017 | 29/03/2018 | 14.00 | 0.50% |
| | SUB TOTAL | | | 136.00 | |
| 6 - 9 Months | Principality Building Society | 06/04/2017 | 06/04/2018 | 5.00 | 0.78% |
| | Newcastle Building Society | 28/04/2017 | 27/04/2018 | 5.00 | 0.80% |
| | Royal Bank of Scotland | 28/04/2017 | 30/04/2018 | 5.00 | 1.79% |
| | Nottingham Building Society | 09/05/2017 | 08/05/2018 | 5.00 | 0.77% |
| | Australia & New Zealand Banking | 17/05/2017 | 16/05/2018 | 10.00 | 0.52% |
| | Commonwealth Bank of Australia | 17/05/2017 | 16/05/2018 | 15.00 | 0.53% |
| | Australia & New Zealand Banking | 17/05/2017 | 16/05/2018 | 10.00 | 0.52% |
| | Royal Bank of Scotland | 22/12/2016 | 22/06/2018 | 5.00 | 0.79% |
| | SUB TOTAL | | | 60.00 | |
| 9 - 12 Months | Commonwealth Bank of Australia | 03/07/2017 | 03/07/2018 | 10.00 | 0.52% |
| | Royal Bank of Scotland | 31/07/2017 | 31/07/2018 | 10.00 | 0.90% |
| | Royal Bank of Scotland | 19/08/2017 | 19/08/2018 | 5.00 | 0.91% |
| | Royal Bank of Scotland | 22/12/2016 | 24/09/2018 | 5.00 | 0.84% |
| | Enfield Council | 26/09/2017 | 24/09/2018 | 15.00 | 0.55% |
| | Lancashire County Council | 26/09/2017 | 24/09/2018 | 10.00 | 0.55% |
| | SUB TOTAL | | | 55.00 | |
| > 12 Months | Bournemouth Borough Council | 26/09/2017 | 25/09/2019 | 20.00 | 0.75% |
| | SUB TOTAL | | | 20.00 | |
| | TOTAL | | | 447.10 | |

* This is a structured deal, the terms of which could change during its tenor.

Appendix 3

UK Local Authority Client Opt-Up Process



Appendix 4

Warnings - loss of protections as a Professional Client

Professional Clients are entitled to fewer protections under the UK and EU regulatory regimes information purposes only, a summary of the protections that you will lose if you request and agree to be treated as a Professional Client.

1. Communicating with clients, including financial promotions

As a Professional Client the simplicity and frequency in which the firm communicates with you may be different to the way in which they would communicate with a Retail Client. They will ensure however that our communication remains fair, clear and not misleading.

2. Information about the firm, its services and remuneration

The type of information that the firm provides to Retail Clients about itself, its services and its products and how it is remunerated differs to what the firm provides to Professional Clients. In particular,

(A) The firm is obliged to provide information on these areas to all clients but the granularity, medium and timing of such provision may be less specific for clients that are not Retail Clients; and

(B) there are particular restrictions on the remuneration structure for staff providing services to Retail Clients which may not be applicable in respect of staff providing services to Professional Clients;

(C) the information which the firm provides in relation to costs and charges for its services and/or products may not be as comprehensive for Professional Clients as it would be for Retail Clients, for example, they are required when offering packaged products and services to provide additional information to Retail Clients on the risks and components making up that package; and

(D) when handling orders on behalf of Retail Clients, the firm has an obligation to inform them about any material difficulties in carrying out the orders; this obligation may not apply in respect of Professional Clients.

3. Suitability

In the course of providing advice or in the course of providing discretionary management services, when assessing suitability for Professional Clients, the firm is entitled to assume that in relation to the products, transactions and services for which you have been so classified, that you have the necessary level of experience and knowledge to understand the risks involved in the management of your investments. The firm will assess this information separately for Retail Clients and would be required to provide Retail Clients with a suitability report.

4. Appropriateness

For transactions where the firm does not provide you with investment advice or discretionary management services (such as an execution-only trade), it may be required to assess whether the transaction is appropriate. In respect of a Retail Client, there is a specified test for ascertaining whether the client has the requisite investment knowledge and experience to understand the risks associated with the relevant transaction. However, in respect of a Professional Client, the firm is entitled to assume that they have the necessary level of experience, knowledge and expertise to understand the risks involved in a transaction in products and services for which they are classified as a Professional Client.

5. Dealing

A range of factors may be considered for Professional Clients in order to achieve best execution (price is an important factor but the relative importance of other different factors, such as speed, costs and fees may vary). In contrast, when undertaking transactions for

Retail Clients, the total consideration, representing the price of the financial instrument and the costs relating to execution, must be the overriding factor in any execution.

6. Reporting information to clients

For transactions where the firm does not provide discretionary management services (such as an execution-only transactions), the timeframe for our providing confirmation that an order has been carried out is more rigorous for Retail Clients' orders than Professional Clients' orders.

7. Client reporting

Investment firms that hold a retail client account that includes positions in leveraged financial instruments or contingent liability transactions shall inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These reports do not have to be produced for Professional Clients.

8. Financial Ombudsman Service

The services of the Financial Ombudsman Service may not be available to you as a Professional Client.

9. Investor compensation

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Hence, depending on how you are constituted you may not have access to the Financial Services Compensation Scheme.

10. Exclusion of liability

The FCA rules restrict the firm's ability to exclude or restrict any duty of liability which the firm owes to Retail Clients more strictly than in respect of Professional Clients.

11. Trading obligation

In respect of shares admitted to trading on a regulated market or traded on a trading venue, the firm may, in relation to the investments of Retail Clients, only arrange for such trades to be carried out on a regulated market, a multilateral trading facility, a systematic internaliser or a third-country trading venue. This is a restriction which may not apply in respect of trading carried out for Professional Clients.

12. Transfer of financial collateral arrangements

As a Professional Client, the firm may conclude title transfer financial collateral arrangements with you for the purpose of securing or covering your present or future, actual or contingent or prospective obligations, which would not be possible for Retail Clients.

13. Client money

The requirements under the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of Retail Clients than in respect of Professional Clients.

It should be noted that at all times you will have the right to request a different client categorisation and that you will be responsible for keeping the firm informed of any change that could affect your categorisation as a Professional Client.

Appendix 5 – Glossary

| | |
|---|---|
| Asset Life | How long an asset, e.g. a Council building is likely to last. |
| Borrowing Portfolio | A list of loans held by the Council. |
| Borrowing Requirements | The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions. |
| Capitalisation direction or regulations | Approval from central government to fund certain specified types of revenue expenditure from capital resources. |
| | |
| CIPFA Code of Practice on Treasury Management | A professional code of Practice which regulates treasury management activities. |
| Capital Financing Requirement (CFR) | Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure. |
| Certificates of Deposits | A certificate of deposit (CD) is a time deposit, a financial product. CDs are similar to savings accounts in that they are insured and thus virtually risk free; they are "money in the bank." They are different from savings accounts in that the CD has a specific, fixed term (often monthly, three months, six months, or one to five years) and, usually, a fixed interest rate. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest. |
| Commercial paper | Commercial paper is a money-market security issued (sold) by large corporations to obtain funds to meet short-term debt obligations (for example, payroll), and is backed only by an issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note. Since it is not backed by collateral, only firms with excellent credit ratings from a recognized credit rating agency will be able to sell their commercial paper at a reasonable price. Commercial paper is usually sold at a discount from face value, and carries higher interest repayment rates than bonds |
| Counterparties | Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMF. |
| Corporate bonds | A corporate bond is a bond issued by a corporation. It is a bond that a corporation issues to raise money effectively in order to expand its business. The term is usually applied to longer-term debt instruments, generally with a maturity date falling at least a year after their issue date. |
| Covered bonds | A covered bond is a corporate bond with one important enhancement: recourse to a pool of assets that secures or "covers" the bond if the originator (usually a financial institution) becomes insolvent. These assets act as additional credit cover; they do not have any bearing on the contractual cash flow to the investor, as is the case with Securitized assets. |
| Consumer Prices Index & | The main inflation rate used in the UK is the CPI. The |

| | |
|---------------------------------------|---|
| Retail Prices Index (CPI & RPI) | Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is set at 2%. The CPI differs from the RPI in that CPI excludes housing costs. Also used is RPIX, which is a variation of RPI, one that removes mortgage interest payments. |
| Credit Default Swap (CDS) | A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default. |
| Credit watch | Variety of special programs offered by credit rating agencies and financial institutions to monitor organisation/individual's (e.g. bank) credit report for any credit related changes. A credit watch allows the organisation/individuals to act on any red flags before they can have a detrimental effect on credit score/history. |
| Credit Arrangements | Methods of Financing such as finance leasing |
| Credit Ratings | A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors that indicate the financial strength and other factors of a bank or similar Institution. |
| Creditworthiness | How highly rated an institution is according to its credit rating. |
| Debt Management Office (DMO) | The DMO is an agency of the HM Treasury which is responsible for carrying out the Government's Debt Management Policy. |
| Debt Rescheduling | The refinancing of loans at different terms and rates to the original loan. |
| Depreciation Method | The spread of the cost of an asset over its useful life. |
| Gilt | Gilt-edged securities are bonds issued by certain national governments. The term is of British origin, and originally referred to the debt securities issued by the Bank of England, which had a gilt (or gilded) edge. Hence, they are known as gilt-edged securities, or gilts for short. Today the term is used in the United Kingdom as well as some Commonwealth nations, such as South Africa and India. However, when reference is made to "gilts", what is generally meant is "UK gilts," unless otherwise specified. |
| Interest Rate exposures | A measure of the proportion of money invested and what impact movements in the financial markets would have on them. |
| The International Monetary Fund (IMF) | is an intergovernmental organisation which states its aims as to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. |
| Impaired investment | An investment that has had a reduction in value to reflect changes that could impact significantly on the benefits expected from it. |

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|---------------------------------|--|
| LIBID | The London Interbank Bid Rate – it is the interest rate at which major banks in London are willing to borrow (bid for) funds from each other. |
| Market Loans | Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force. |
| Money Market Fund (MMF) | A 'pool' of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating. |
| Monetary Policy Committee (MPC) | Committee designated by the Bank of England, whose main role is to regulate interest rates. |
| Minimum Revenue Provision (MRP) | This is the amount which must be set aside from the revenue budget each year to cover future repayment of loans. |
| Non Specified Investments | Investments deemed to have a greater element of risk such as investments for longer than one year |
| Premium | Cost of early repayment of loan to PWLB to compensate for any losses that they may incur |
| Prudential Indicators | Set of rules providing local authorities borrowing for funding capital projects under a professional code of practice developed by CIPFA and providing measures of affordability and prudence reflecting the Council's Capital Expenditure, Debt and Treasury Management. |
| PWLB | Public Works Loan Board, a statutory body whose function is to lend money to Local Authorities (LAs) and other prescribed bodies. The PWLB normally are the cheapest source of long term borrowing for LAs. |
| Specified Investments | Investments that meet the Council's high credit quality criteria and repayable within 12 months. |
| Supranational bonds | Supranational bonds are issued by institutions that represent a number of countries, not just one. Thus, organisations that issue such bonds tend to be the World Bank or the European Investment Bank. The issuance of these bonds are for the purpose of promoting economic development |
| Treasury bills (or T-bills) | Treasury bills (or T-bills) mature in one year or less. Like zero-coupon bonds, they do not pay interest prior to maturity; instead they are sold at a discount of the par value to create a positive yield to maturity. Many regard Treasury bills as the least risky investment available. |
| Unrated institution | An institution that does not possess a credit rating from one of the main credit rating agencies. |
| Unsupported Borrowing | Borrowing where costs are wholly financed by the Council. |

| Task | Lead | 28-Jun-17 | 27-Sep-17 | 16-Nov-17 | 30-Jan-18 | 29-Mar-18 |
|---|-----------------|------------|-----------|-----------|-----------|-----------|
| 1. Audit Committee Effectiveness | | | | | | |
| • Review Forward Plan | COA /DOF/HOA | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Approve Terms of Reference, Quorum, Membership and Dates of Meetings (annually) | Audit Committee | ✓ | | | | |
| • Carry out Self Assessment of Audit and Anti Fraud Arrangements | HOA / DOF | | | ✓ | | |
| • Hold an Annual Private Meeting between Chair of Audit and Head of Audit and Risk Management | COA /HOA | ✓ | | | | |
| • Determine and Deliver Training Requirements for Audit Committee Members as Required. | COA /HOA | ongoing | ongoing | ongoing | ongoing | ongoing |
| 2. Internal Audit | | | | | | |
| • Annual Head of Audit Opinion | HOA | ✓ | | | | |
| • Quarterly Internal Audit Assurance reports | HOA / AM | | ✓ | | ✓ | ✓ |
| • Review Internal Audit Strategy and Charter | HOA / DOF | ✓ | | | | |
| • Present Annual Internal Audit Plan - 2018/19 | HOA / AM | | | | | ✓ |
| • Present Updated Annual Internal Audit Plan - 2017/18 | HOA / AM | | | | ✓ | |
| • Annual Schools Report 2016/17 | HOA / AM | | ✓ | | | |
| 3. Anti Fraud and Corruption | | | | | | |
| • Annual Fraud Report 2016-17 | HOA / CFM | | ✓ | | | |
| • Anti Fraud Update Report | CFM | ✓ | | | ✓ | ✓ |
| • Progress on National Fraud Initiative 2017/18 | CFM | | | ✓ | | |
| • Protecting the Public Purse Update | HOA / CFM | | | ✓ | | |
| • Anti Fraud and Corruption Strategy | HOA / CFM | | ✓ | | | ✓ |
| 4. External Audit (KPMG) | | | | | | |
| • Report to Those Charged with Governance (Council and Pension Fund) | KPMG | | ✓ | | | |
| • Monitor Progress of Actions Arising from KPMG ISA 260 report (Council and Pension Fund) | CA | | | | ✓ | |
| • Agree annual External Audit Plan in respect of 2016/17 accounts and associated fees. | KPMG | ✓ | | | | |
| 5. Financial Reporting | | | | | | |
| • Review Accounting Policies | CA | | | | ✓ | |
| • Consider Annual Financial Statements | CA | ✓ (draft) | ✓ | | | |
| • Quarterly Treasury Management Report | CA | | ✓ | | | |
| • Mid-Year Treasury Management Report | CA | | | ✓ | | |
| • Annual Treasury Management Report | CA | ✓ | | | | |
| • Treasury Management Strategy | CA | | | | ✓ | |
| 6. Governance | | | | | | |
| • Receive and agree the Annual Governance Statement | HOA | | ✓ | | | |
| • Update on implementation of Actions on the Annual Governance Statement | HOA | | | | | ✓ |
| 7. Risk Management & Assurance | | | | | | |
| • Annual Risk Management Report 2016/17 | HOA | | ✓ | | | |
| • Review and Monitor of the Council's Strategic Risks | Audit Committee | ✓ Strategy | | ✓ | ✓ | ✓ |
| • Bribery Risk Assessment | HOA | | | | ✓ | |

Key

- COA - Chair of Audit
- DOF - Corporate Director, Resources
- HOA - Head of Audit and Risk Management
- AM - Audit Manager
- CFM - Corporate Fraud Manager
- KPMG - External Auditors
- CA - Chief Accountant

Chair of Audit's Meeting with DOF and HOA (provisional)

| | |
|-----------------|----------|
| 23 June 2017 | 10.00am |
| 22 Sept 2017 | 11am |
| 3 November 2017 | 10.30 am |
| 26 January 2018 | 10.00am |
| 23 March 2018 | 10.00am |

Note: outside the formal Committee meetings, members will also review the following:

- Draft Annual Governance Statement (May)
- Terms of reference (May)

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