



AUDIT COMMITTEE

Date: Tuesday, 20 November 2018

Time: 6.00pm,

Location: Shimkent Room - Daneshill House, Danestrete

Contact: Ian Gourlay 01438 242703

committees@stevenage.gov.uk

Members: Councillors: M McKay (Chair), (Vice-Chair), H Burrell, L Chester,
D Cullen, J Gardner, G Lawrence, J Lloyd, G Snell and Gibbs

AGENDA

PART 1

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 12 SEPTEMBER 2018

To approve as a correct record the minutes of the meeting of the Audit Committee held on 12 September 2018.

Pages 3 – 6

3. SHARED ANTI-FRAUD SERVICE (SAFS) - PROGRESS WITH DELIVERING THE 2018/19 ANTI-FRAUD ACTION PLAN

To note the work of Officers and the Shared Anti-Fraud Service (SAFS) in delivering the Anti-Fraud Plan 2018/19.

Pages 7 – 22

4. SHARED ANTI-FRAUD SERVICE (SAFS) - COUNCIL ANTI-FRAUD PLAN 2017/2108

To note the work of the Council and the Shared Anti-Fraud Service in delivering the Anti-Fraud Action Plan 2017/18.

Pages 23 – 56

5. SHARED INTERNAL AUDIT SERVICE (SIAS) - PROGRESS REPORT 2018/2019

To note the Internal Audit Progress Report and the Status of Critical and High Priority Recommendations.

Pages 57 – 74

6. 2018/2019 MID YEAR TREASURY MANAGEMENT REVIEW

To consider the 2018/19 Mid Year Treasury Management Review.

Pages 75 – 94

7. URGENT PART 1 BUSINESS

To consider any Part 1 business accepted by the Chair as urgent.

8. EXCLUSION OF PUBLIC AND PRESS

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs 1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.

2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

9. STRATEGIC RISK REGISTER

To note the latest Strategic Risk Register for Stevenage Borough Council.

To note developments on risk management issues.

10. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent.

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: 12 September 2018

Time: 6:00 pm

Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

Present: Members: Councillors: M McKay (Chair), J Gardner (Vice Chair), H Burrell, L Chester, D Cullen, J Lloyd, G Lawrence and G Snell.
Independent Member Mr G Gibbs

In Attendance: S Martin (Shared Internal Audit Service)
K Storey (EY)

Start/End Time: Start Time: 6:00 pm
End Time: 7:15 pm

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were neither apologies for absence nor declarations of interest.

Mr G Gibbs was introduced to the Committee as the new Independent Member.

2. MINUTES – 12 JUNE 2018

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 12 June 2018 are approved as a correct record and signed by the Chair.

3. MINUTES – 26 JULY 2018

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 26 July 2018 are approved as a correct record and signed by the Chair.

4. LOCAL GOVERNMENT AUDIT BRIEFING

The Committee received the Local Government Audit Committee Briefing from the Council's external auditors EY.

In reply to a question concerning Audit Committee Toolkits the external auditor undertook to provide the Committee with details of the contents and

costs of such toolkits.

In reply to a further question the Committee was advised that there was no foreseen legislation requiring public sector employers to impose car parking charges on employees.

In response to a Member request the Assistant Director Finance and Estates undertook to circulate a note to committee members detailing the classification of the Council's 'for sale' assets under the IFRS 9 standard.

It was **RESOLVED** that the Local Government Briefing Paper for Quarter 2 prepared by EY is noted.

5. ANNUAL AUDIT LETTER

The External Auditor presented the Annual Audit Letter.

The Committee was advised that the Letter had been updated to reflect the Committee's comments made at a previous meeting and that the essential message was favourable.

A number of typographical errors were identified in the Member copy of the report. In reply to a request the Assistant Director Finance and Estates undertook to circulate an original copy of the report to committee members.

It was **RESOLVED** that the Annual Audit Letter is noted.

6. SHARED INTERNAL AUDIT SERVICE ANNUAL REPORT 2017/18

The Committee received the Annual Report from the Shared Internal Audit Service (SIAS).

A Member indicated that he would wish to see a strengths and weakness analysis (SWAT) of SIAS to confirm that the Council was receiving good value for money from the service.

In the debate that followed the Committee discussed the relative merits of SIAS compared to an internal audit function and the benefits to the Council of each approach.

It was suggested that the Committee revisit the original Terms of Reference to determine if the SIAS brief had been achieved.

It was **RESOLVED** that the report is noted.

7. SHARED INTERNAL AUDIT SERVICE (SIAS) PROGRESS REPORT

The Committee received the Internal Audit Progress Report for the period to 24 August 2018.

The Committee was advised that progress of the Audit Plan was on track and that since the publication of the report 36% of the Audit Plan days had been delivered. In addition the Data Quality project had been finalised.

The Committee was further advised that progress had been made against the recommendations in the Repairs and Voids and IT action plans.

It was **RESOLVED** that the report is noted.

8. ANNUAL TREASURY MANAGEMENT REVIEW 2017/18 INCLUDING PRUDENTIAL CODE

The Assistant Director Finance and Estates presented the report which reviewed the operation of the 2017/18 Treasury Management and Investment Strategy.

The Committee was advised that the report had been before the Executive on 5 September.

The Committee was further advised that while interest rates remained low the level of external borrowing had been minimised by the use of internal borrowing while cash balances allowed.

It was **RESOLVED** that the 2017/18 Annual Treasury Management Review is recommended to Council for approval.

9. URGENT PART I BUSINESS

The Assistant Director Finance and Estates advised the Committee that following a report to the Executive on 5 September it would have a monitoring role on the effectiveness of Community Infrastructure Levy and Section 106 monies.

10. EXCLUSION OF PRESS AND PUBLIC

It was **RESOLVED** that:

1. Under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.
2. Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

PART II

11. PART II MINUTES – AUDIT COMMITTEE – 12 JUNE 2018

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 12 June 2018 are approved as a correct record and signed by the Chair.

12. STRATEGIC RISK REGISTER

The Committee received the Council's latest Strategic Risk Register.

Members asked a number of detailed questions about the report which were answered by the Officer.

It was **RESOLVED** that the report is noted.

12. URGENT PART II BUSINESS

None.

CHAIR



Stevenage Borough Council

Progress Report Anti-Fraud Plan 2018/19

November 2018

Members are recommended to:

Note the work of Officers and the Shared Anti-Fraud Service (SAFS) in delivering the *Anti-Fraud Plan 2018/19*.

Contents

1. Introduction
2. Fraud Awareness and Prevention
3. Counter Fraud Staffing
4. Counter Fraud Activity
5. SAFS KPI Performance

Appendix

- A. HBC/SAFS Anti-Fraud Plan 2018/19

1. Introduction

- 1.1 In March 2018 this Committee approved the Anti-Fraud Plan proposed by senior officers and SAFS management- see **Appendix A**. The Plan follows guidance and best practice from the Chartered Institute of Public Finance and Accounts (CIPFA), The Local Government Association (LGA) and the Ministry for Housing, Communities and Local Government (MHCLG).

In particular the Plan for 2018/19 took account of the following reports.

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy*
- *UK Annual Fraud Indicator 2017*
- *Fraud and Corruption Tracker 2017*
- *United Kingdom Anti-Corruption Strategy 2017-2022*

- 1.2 The aim of the Plan is to deliver an anti-fraud culture across the Council, with the prevention and deterrence of fraud being the primary objective but, ensuring that sufficient resources are in place to investigate fraud, where its occurs, and pursue those guilty of defrauding the Council, including the recovery of losses and imposition of penalties, both civil and criminal.
- 1.3 The following page shows the planned anti-fraud activity for the Council in 2018/19 and the current status for each area.

SBC / SAFS Action Plan 2018/2019

CIPFA Principles	SAFS Objectives	Goals & 6Cs	Activities	Responsible Officer	Progress
ACKNOWLEDGE	Ensure ongoing effectiveness and resilience of anti-fraud arrangements	Fraud is acknowledged as a Risk for the Council CULTURE	The Council has in place Anti-Fraud and Corruption Strategy	Head of Shared Legal	Outstanding
			The Council has a Fraud Response Plan and this Action Plan	AD(Finance and Estates)	Complete
			Audit Committee and Senior Managers ensure compliance with CIPFA best practice in their counter fraud arrangements	AD(Finance and Estates)	Complete
			The Council conducts Fraud Risk Assessments	SAFS Mgr/ Risk Mgr/SAIS Mgr	Under Review
			The Council has in place Policies to deal with Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime	Head of Shared Legal	Complete
	Improve the reach into areas of 'corporate' fraud across all Partners	The Council has a robust communication policy demonstrating its commitment to prevent fraud COMMUNICATION	The Councils Communication Team will publicise prosecutions and anti-fraud campaigns conducted by it and SAFS	Head of Comms	Ongoing
			SAFS will provide access to fraud reporting tools (web/phone/email)	SAFS Mgr	Complete
			The Council and SAFS will make available fraud awareness or specific anti-fraud training across all Council services	SAFS Mgr & Head of HR	Ongoing
			Provide fraud alerts to appropriate officers/staff/services.	SAFS Mgr	Ongoing
			SAFS will provide an E-Learning Packages for staff/members	SAFS Mgr & Head of HR	Complete
PREVENT	Create a data hub for Hertfordshire	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. COLLABORATION	Develop existing SAFS Data Hub- including support projects for Housing and Shared R&B	SAFS Mgr	Complete
			Review data sharing agreements/protocols between internal and external partners	Head of Shared Legal / SAFS Mgr	Under Review
			Work to develop 'Flexible NFI & 18/19 NFI Matches	SAFS Mgr	Ongoing
			Work with DWP to deliver CTRS/HB/Housing Fraud 2018 roll-out	SAFS Mgr/ Head of Shared R&B	Complete
			Work with other organisations, including private sector, to improve data-sharing	SAFS Mgr	Complete
	Develop services which can be marketed to external bodies	Have the highest levels of professional standards COMPETENCE	All SAFS staff will be fully trained and accredited	SAFS Mgr	Complete
			All investigations will be undertaken in compliance with relevant legislation and Council Policies	SAFS Mgr	Ongoing
			SAFS will work with bodies such as CLG/LGC/CIPFA to develop local anti-fraud strategies at a national level	SAFS Mgr	Ongoing
			SAFS will work with Council Services to make best use of 3rd party Providers such as NAFN, PNLD etc	SAFS Mgr	Complete
PURSUE	Deliver financial benefits in terms of cost savings or increased revenue	Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. CAPABILITY	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	SAFS Mgr	Ongoing
			SAFS will record and report on all fraud referred, investigated and identified	SAFS Mgr	Ongoing
			SAFS will review fraud trends and new threats and report on these to Council Managers	SAFS Mgr	Ongoing
			SAFS, Shared Legal Service and Debt teams will seek to 'prosecute' offenders and recover losses	SAFS Mgr / Head of Shared Legal/ Head of Shared R&B	Ongoing
	Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally	Develop the right level of resources to deal with the level of fraud risk CAPACITY	The Council will review its ROI from SAFS Membership	AD(Finance and Estates)	Ongoing
			SAFS will assist the Council in providing its Transparency Code (Fraud) Data annually	SAFS Mgr	Complete
			Reports to Senior Mgt and Audit Committee on SAFS and Council activity	SAFS Mgr / AD(Finance and Estates)	Ongoing
			Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement	AD(Finance and Estates)	Under Review

AD(Finance and Estates) is the Councils s.151 Officer
Head of Shared Legal is the Councils Monitoring Officer

2. Fraud Awareness and Prevention

- 2.1 One of the key aims for the Council is the creation of an 'Anti-Fraud' culture that will assist in preventing and deterring fraud; ensure that senior managers and members consider the risk of fraud when developing policies or processes; encourage all staff and local residents to understand the impact of fraud on Council services and to report fraud where it is suspected.
- 2.2 The Council ensures that suspected fraud can be reported by both staff and the public alike. Work is underway to develop the Council's website and intranet to provide improved links to the SAFS webpage.
- 2.3 The SAFS have delivered a number of training sessions for staff already and a plan has been developed to deliver additional sessions to staff in front line customer services assist in the identification and reporting of false documents. Working with HR Teams across the County SAFS have developed and published an e-training package for staff and Members which will be linked to the Councils policies and fraud reporting processes.
- 2.4 The SAFS webpage – www.hertsdirect.org/reportfraud includes an online reporting tool. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – fraud.team@hertfordshire.gov.uk . These contact details are included on the Councils own website. None of these functions replace the Council's own in-house Whistleblowing reporting procedures. Council staff can use the same methods to report fraud.
- 2.5 The SAFS have issued several alerts to officers from the National Fraud Intelligence Bureau and the National Anti-Fraud Network reporting new and emerging fraud threats or fraud trends. SAFS have also issued reminders to staff to be vigilant against the continued attempts by fraudsters, using social media and fake emails, to encourage breaches of financial regulations and payment processes.
- 2.6 SAFS have worked closely with senior officers to ensure that the Council is able to comply with the statutory National Fraud Initiative (NFI) which takes place between October 2018 and February 2019. The NFI is a national anti-fraud data sharing exercise conducted by the Cabinet office every two years across local and central government.

3. Counter Fraud Staffing

- 3.1 From April 2018 the SAFS Team was Composed of sixteen accredited and trained counter fraud staff and is based at Hertfordshire County Councils offices in Stevenage.
- 3.2 Each SAFS Partner receives dedicated support and response from the Team. At present the most effective way to do this is by allocating officers to work exclusively for each Partner. These officers act as the first point of contact for that Partner's

services, and will assist in developing relationships at a service level, delivering training, and working on local pilot projects. SAFS Officers have access to Council offices, officers and systems to conduct their enquiries.

- 3.3 For the 2018/19 Anti-Fraud Plan SAFS has deployed one Counter Fraud Officer to work exclusively for the Council. This officer was supported by SAFS Management, a Data-Analyst and the SAFS Intelligence Team based at Stevenage. The Council also has its own Tenancy Fraud Officer who SAFS support through training, management of case load, and access to investigation/intelligence support.

4. Counter Fraud Activity

- 4.1 To the end of September 2018 SAFS had received 94 allegations of fraud affecting Council services. 113 cases were carried forward from 2017/18, and 91 cases are still under investigation.
- 4.2 Reported fraud covers a number of Council services and these reports come from a variety of sources including Council staff. Compared to other district councils in the SAFS Partnership the volume and variety of alleged fraud being reported is very good.

Table 1. Types of fraud being reported (*in year*):

Housing Benefit & Council Tax Support	Housing	Payroll	Blue Badge	Council Tax Discounts	Other	Total
29	22	2	6	33	2	94

Table 2. Who is reporting Fraud?

Fraud Reported by Staff	Reports from Public	Proactive Drives and Data-Matching	Other	Total
57	22	12	3	94

- 4.3 At this time many cases raised for investigation are still in the early stages. However, of the 35 cases investigated and closed in year where fraud was identified losses of £77,655 and savings of £91,853 were recorded. A full breakdown of all cases where fraud has been identified and how savings/losses are recorded will be include in the 2018/2019 Annual Report to this Committee in 2019.
- 4.4 SAFS continues to support the work of the Councils Tenancy Fraud Officer and has funded two projects aimed at preventing tenancy fraud (I-latch) and identifying fraud as it occurs (Housing Partners). The Tenancy Fraud Officer also conducts reviews of all 'Right to Buy' applications made by the Councils tenants. This work in focused on

the prevention of money laundering and ensuring that vulnerable tenants are not exploited by organised crime.

- 4.5 SAFS delivered a framework contract for all councils in Hertfordshire to make use of to conduct bulk reviews of council tax discounts and exemptions to improve collection rates and prevent fraud. The Council have made use of this framework and a review of this work is ongoing at present and will be complete early in 2019.
- 4.6 The Councils Parking Enforcement Team work closely with SAFS. This work includes joint activity in the Councils pay and display car parks and the prosecution of persistent offenders or persons using forged or stolen Blue Badges to avoid parking charges.
- 4.7 SAFS has worked with the Shared Revenue & Benefit Service to identify potentially fraudulent applications for discounts and exemptions. The Council is now making active use of civil and financial penalties relating to false claims for discounts and exemptions where appropriate. So far the Council has imposed financial penalties on three occasions in 2018/19.
- 4.8 The national roll-out of joint working with the DWP Fraud and Error Service in February 2019 follows a successful 18 month pilot at the Council and two other SAFS sites in Hertfordshire.

5. SAFS KPI Performance

KPI	Measure	2018/2019 Target	Achieved in 1 st Half Year
1	Provide an Investigation Service	<ul style="list-style-type: none"> • 1 FTE on call at SBC (Supported by SAFS Intel/ Management). • Membership of the National Anti-Fraud Framework (NAFN) • Access to NAFN for relevant SBC Staff • Membership of CIPFA Counter Fraud Centre • Fraud training events for staff/Members • Support for In-House Housing Investigator 	<ul style="list-style-type: none"> • 1 FTE in place with full support • Membership of NAFN in place and training provided to officers • SAFS are members of the CIPFA Counter Fraud Centre for all Partners • Training sessions delivered and more planned by early 2019 • Support for in-house officer ongoing with training, access to SAFS CMS, allocation and management of cases
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board	<p>£450k From fraud identified and savings/prevention</p> <p>Recovery of 12 Properties</p>	<p>£169k (£92K Fraud Losses & £77k Fraud Savings reported)</p> <p>5 Properties recovered</p>
3	Allegations of fraud Received. From all sources.	<p>100 Fraud referrals from all sources to SAFS</p>	94 Referrals received
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	<p>57% (35 cases closed- 20 proved)</p>
5	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	<ul style="list-style-type: none"> • Data-Hub for local data matching. • Access to NFI output. • County wide Council Tax Review Framework • Housing Partners system. 	<ul style="list-style-type: none"> • SBC submits data to the SAFS Data-Hub. • SAFS lead for NFI 2018/19. • CTax Framework is being used in 2018. • HP system in place and producing work since April

Appendices:

- A. SBC Anti-Fraud Plan 2018/2019

**Stevenage Borough Council
Anti-Fraud Plan 2018/2019**

In partnership with

The Shared Anti-Fraud Service



Contents

Introduction	2
The National Context	3
SAFS Resources for 2018/2019	4
SAFS Standards of Service	5
Stevenage Borough Council Anti-Fraud Action Plan 2018/2019	6
SAFS KPIs for Stevenage Borough Council 2018/2019	7

Introduction

This plan supports the Councils current Anti-Fraud and Corruption Policy by ensuring that the Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service, has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Policy states that the Council;

- **is opposed to fraud and corruption,**
- **recognises the need for staff and Members to support the policy,**
- **expects Members and staff to adhere to the highest standards of honesty and integrity,**
- **that Members and staff will act in accordance with legal requirements and Council procedures,**
- **that individuals and organisations that deal with the Council to meet the same standards.**

This plan includes objectives and key performance indicators that support the Councils Strategy and meet the best practice guidance/directives from central government department such as Department for Communities and Local Government and other bodies such as National Audit Office and the Chartered Institute for Public Finance and Accountancy.

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government was large, but difficult to quantify with precision.

In its 2015 publication ***Code of practice on managing the risk of fraud and corruption*** CIPFA highlighted the five principles for public bodies to embed effective standards for countering fraud and corruption in their organisations. These principles support good governance and demonstrate effective financial stewardship and strong public financial management

The five key principles of the code are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

The CIPFA ***Local Government Counter Fraud and Corruption Strategy (2016-2019)*** included a summary of reported fraud losses across councils in England totalling £307m per annum but that hidden and unreported fraud risks could exceed £2bn each year. The strategic response for local government to respond to the threat of fraud threats provides three key principles '**Acknowledge/Prevent/Pursue**'. The strategy was supported by Department for Communities and Local Government, the Local Government Association and Fighting Fraud Locally Board.

In addition, local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes (the 6 Cs) identified in the CIPFA Strategy:

- Culture - creating a culture in which beating fraud and corruption is part of daily business,
- Capability - ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks,
- Capacity - deploying the right level of resources to deal with the level of fraud risk,
- Competence - having the right skills and standards,
- Communication - raising awareness, deterring fraudsters, sharing information, celebrating successes
- Collaboration - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information

The Annual Fraud Indicator (AFI) 2017 (published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian) attempts to identify the cost of fraud to the UK economy. The AFI estimated fraud losses for local government as follows.

- Total loss across local government - £7.8bn
- Tenancy Fraud- £1.8bn
- Procurement Fraud - £4.4bn
- Payroll Fraud - £1bn
- Other - £.6bn

The AFI does not include housing benefit fraud or council tax fraud as a loss to local government but estimates the loss of these combined at around £1.1bn.

What is clear is that every pound lost to fraud from the public purse is a pound lost from essential front line services. The Councils Anti-Fraud Plan 2017/2018 is founded on the principles of 'Acknowledge/ Prevent/ Pursue' and the 6 C's to ensure the Council is adequately protected from fraud risk or that where fraud does occur there are plans to manage and mitigate any losses.

SAFS Resources 2018/2019

Budget

In December 2016 the SAFS Board accepted a report from the SAFS Manager to restructure and reorganise the Service from April 2017/2018. This restructure would result in a small increase in fees for all Partners. The Board agreed that the annual fee for District Councils, with housing stock, would be fixed to £100,000 +VAT. The Board also received assurance, from extensive financial modelling, that the service would be sustainable, in its current form, for 5 years with any increase in fees to be reviewed each year from 2018/2019 onwards.

Fees for Stevenage Borough Council in 2018/2019 remain at £100,000 + VAT.

Staffing

The full complement of SAFS now stands at 15 FTE's; 1 Manager, 2 Assistant Managers, 8 Investigators, 3 and 1 Data-Analyst. SAFS also have access to an Accredited Financial Investigator (AFI), specialist IT/financial and forensic services through third party providers and criminal litigation services, through the Shared Legal Service with the County Council.

Stevenage Borough Council will have exclusive access to 1 FTE Investigator, access to the intelligence functions of the service, all data-matching services being offered through the local data-warehouse and can call on SAFS management for liaison meetings, management meetings and two Audit Committees reports per annum.

SAFS will also support the Tenancy Fraud Investigator employed by the Council, providing access to systems, intelligence and management support for investigations.

SAFS will also provide fraud awareness training for Council staff and be available during normal office hours to provide general advice or guidance to officers on emerging fraud threats or those matters requiring an immediate response.

SAFS - Standards of Service.

SAFS will provide the Council with the following fraud prevention and investigation services as part of the contracted anti-fraud function.

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (data-warehouse) to assist in the early identification of fraud and fraud prevention
 - The data-warehouse will be funded by SAFS
 - The data-warehouse will be secure and accessible only by nominated SAFS Staff. Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for SAFS Partners to review and agree annually. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
 - SAFS will work with nominated officers in the SAFS Partners to access data-sets to load into the data-warehouse and determine the frequency of these.
 - SAFS will work with Partners to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
9. Reactive fraud investigations.
 - All reported fraud will be actioned by SAFS within 5 days, on average.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each investigation.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems/accommodation required to undertake their investigations.
 - SAFS officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.
 - Where a decision indicates an offence SAFS Officers will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies. SAFS will provide reports through the SAFS Board on progress and to the Council's Audit Committee.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.

**Data Protection Act, General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act.*

SBC / SAFS Action Plan 2018/2019				
CIPFA Principles	SAFS Objectives	Goals & 6Cs	Activities	Responsible Officer
ACKNOWLEDGE	Ensure ongoing effectiveness and resilience of anti-fraud arrangements	Fraud is acknowledged as a Risk for the Council CULTURE	The Council has in place Anti-Fraud and Corruption Strategy The Council has a Fraud Response Plan and this Action Plan Audit Committee and Senior Managers ensure compliance with CIPFA best practice in their counter fraud arrangements The Council conducts Fraud Risk Assessments The Council has in place Policies to deal with Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime	Head of Shared Legal AD(Finance and Estates) AD(Finance and Estates) SAFS Mgr/ Risk Mgr/SIAS Mgr Head of Shared Legal
	Improve the reach into areas of 'corporate' fraud across all Partners	The Council has a robust communication policy demonstrating its commitment to prevent fraud COMMUNICATION	The Councils Communication Team will publicise prosecutions and anti-fraud campaigns conducted by it and SAFS SAFS will provide access to fraud reporting tools (web/phone/email) The Council and SAFS will make available fraud awareness or specific anti-fraud training across all Council services Provide fraud alerts to appropriate officers/staff/services. SAFS will provide an E-Learning Packages for staff/members	Head of Comms SAFS Mgr SAFS Mgr & Head of HR SAFS Mgr SAFS Mgr & Head of HR
	Create a data hub for Hertfordshire	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. COLLABORATION	Develop existing SAFS Data Hub- including support projects for Housing and Shared R&B Review data sharing agreements/protocols between internal and external partners Work to develop 'Flexible NFT & 18/19 NFI Matches Work with DWP to deliver CTRS/HB/Housing Fraud 2018 roll-out Work with other organisations, including private sector, to improve data-sharing	SAFS Mgr Head of Shared Legal / SAFS Mgr SAFS Mgr SAFS Mgr/ Head of Shared R&B SAFS Mgr
	Develop services which can be marketed to external bodies	Have the highest levels of professional standards COMPETENCE	All SAFS staff will be fully trained and accredited All investigations will be undertaken in compliance with relevant legislation and Council Policies SAFS will work with bodies such as CLG/LGC/CIPFA to develop local anti-fraud strategies at a national level SAFS will work with Council Services to make best use of 3rd party Providers such as NAFN, PNLD etc	SAFS Mgr SAFS Mgr SAFS Mgr SAFS Mgr
	Deliver financial benefits in terms of cost savings or increased revenue	Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. CAPABILITY	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council SAFS will record and report on all fraud referred, investigated and identified SAFS will review fraud trends and new threats and report on these to Council Managers SAFS, Shared Legal Service and Debt teams will seek to 'prosecute' offenders and recover losses	SAFS Mgr SAFS Mgr SAFS Mgr SAFS Mgr /Head of Shared Legal/ Head of Shared R&B
	Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally	Develop the right level of resources to deal with the level of fraud risk CAPACITY	The Council will review its ROI from SAFS Membership SAFS will assist the Council in providing its Transparency Code (Fraud) Data annually Reports to Senior Mgt and Audit Committee on SAFS and Council activity Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement	AD(Finance and Estates) SAFS Mgr SAFS Mgr / AD(Finance and Estates) AD(Finance and Estates)
				AD(Finance and Estates) is the Councils s.151 Officer Head of Shared Legal is the Councils Monitoring Officer

SAFS

KPIs 2018/2019

KPI	Measure	2018/2019 Target	2017/2018 Targets	2017/2018 Performance to 31.12.2017	SAFS Partnership Aims
1	Provide an investigation resource to the Council to include fraud deterrence/ prevention activities as well as proactive and reactive investigations.	1 FTE on call at HBC (Supported by SAFS Intel/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to NAFN for relevant SBC Staff 5 Fraud awareness training events for staff/Members Support for in-house Housing Fraud Investigator	1 FTE on call (supported by SAFS Intelligence/ Management). Fraud training events for staff	FTE provided with support from SAFS Mgt. SBC Housing Investigator 'tasked' and supported by SAFS	Ensure ongoing effectiveness and resilience of anti-fraud. Deliver a return on investment for the Councils financial contribution to SAFS.
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board & Recovery of Social Housing Properties in the Borough	£450k From fraud identified and savings/prevention 12 Props (Incl Sub-Let/ Abandonment/RTB/Succession Fraud	£400k New Target	£483K 10 Properties Recovered	Deliver financial benefits in terms of cost savings or increased revenue.
3	Allegations of fraud Received. From all sources.	150 Fraud referrals from all sources to SAFS	100	184 Allegations Frauds received across all Council Services	Improve the reach into the areas of non-benefit and corporate fraud within the county.
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	50%	46% 23 from 51 cases closed. (Also issued 41 Warning Letters or Advice Files)	Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.
5	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	Data-Hub for local data matching. Access to NFI output. County wide Council Tax Review Framework. & Housing Partners-(Tenancy Fraud)	<ul style="list-style-type: none"> Data-Hub for local data matching. Access to NFI output. 	<ul style="list-style-type: none"> Data-Hub operational. Delivered Housing Data-Match. System. County Wide Council Tax Review Framework. NFI work ongoing. 	Create a data hub for Hertfordshire.



Stevenage Borough Council

2017/18 Anti-Fraud Report

November 2018

Recommendation

Members are recommended to:

Note the work of the Council and the Shared Anti-Fraud Service in delivering the *Anti-Fraud Action Plan 2017/18*.

Contents

Introduction

1. Background
2. Summary of SAFS Activity 2017/18
3. Reporting & Transparency Code Data

Appendix

- A. SBC/SAFS Anti-Fraud Plan 2017/18
- B. Reported Fraud - outcomes and values 2017/18
- C. SAFS KPI Performance 2017/18
- D. SAFS Partnership Annual Report 2017/18

Introduction

This report provides details of the work associated with implementing the Council's Anti-Fraud Action plan for 2017/2018. The Committee are asked to note this work.

A number of reports are being used by SAFS to help ensure that the Council is both: aware of its own fraud risks; and is finding ways to mitigate or manage these effectively wherever possible.

These reports include:

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by CIPFA in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based on 2013 data).
- *UK Annual Fraud Indicator 2017* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.

1. Background

- 1.1 According to reports from CIPFA, the National Audit Office (NAO), the Cabinet Office, and the Private Sector; fraud risk across local government in England exceeds £2.billion each year with some more recent reports indicating levels considerably above this.
- 1.2 The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have also issued advice, and best practice guidance to support local councils in the fight to reduce the risk of fraud and prevent loss to the

public purse. This advice includes the need for councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver savings.

- 1.3 It is essential that to support this service the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 1.4 The Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). Members have received detailed reports about the creation of SAFS and its progress and how this service works closely with the Shared Internal Audit Service. SAFS works across the whole Council dealing with all aspects of fraud from deterrence & prevention to investigation & prosecution

2. SAFS Activity 2017/2018- *Delivery of the 2017/18 Anti-Fraud Plan*

Staffing

- 2.1 This Committee approved the 2017/2018 Anti-Fraud Action Plan for the Council and KPIs for SAFS to achieve in respect of delivery of the plan. See **Appendix A** for details of the 2017/2018 Plan.
- 2.2 For 2017/2018 the SAFS Team was composed of fourteen accredited and trained counter fraud staff based at Hertfordshire County Council's offices in Stevenage. Each SAFS Partner receives dedicated support and response from this team. SAFS allocate officers to work in each partner organisation. These officers act as the first point of contact for that partner's services, and will assist in developing relationships at a service level, delivering training, and working on local pilot projects.
- 2.3 In 2017/18 SAFS initially deployed 1 FTE Counter Fraud Officer to work at the Council. This officer is supported by SAFS Management and the SAFS Intelligence Team based at Stevenage. SAFS also continued to support the internal Tenancy Fraud Officer employed directly by the Council

Fraud Awareness and Reported Fraud

- 2.4 One of the key aims for the Council is to create an anti-fraud culture, that will deter and prevent fraud; encourage senior managers and Members to consider the risk of fraud when developing policies or processes to prevent fraud occurring; encourage staff and the public at large to understand the impact of fraud on the Council and to report fraud where it is suspected or identified.
- 2.5 The SAFS webpage – www.hertfordshire.gov.uk/reportfraud includes an online reporting tool. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – fraud.team@hertscc.gcsx.gov.uk. These contact details can be accessed via the Council's own website and council staff can use the same methods to report fraud or use the Council's intranet.

- 2.6 SAFS delivered training to a number of front line services in 2017/18 and working with the County Councils HR Learning and Development Team has delivered an E-Learning package on fraud awareness which is a mandatory requirement for all staff and can be accessed through the Councils I-Learn system.

Counter Fraud Activity

- 2.7 During 2017/18 SAFS received 189 allegations of fraud affecting various Council services.
- 2.8 At the time of this report many cases raised for investigation, in year, are still in the early stages. However, of 61 cases investigated and closed in the year fraud losses of £105,796 and fraud savings of £408,754 were identified. This is the estimated value of losses and these monies, where applicable, will then have to be recovered by the relevant service.
A further £21,776 in subsidy payable to the Council by the DWP, due to identified Housing Benefit, fraud will be added to the Councils HB Subsidy returns for 2017/2018.
See Appendix B for a breakdown by service area where fraud has been identified.
- 2.9 The majority of reactive fraud work for the Council relates to housing benefit, council tax discounts and tenancy fraud. As well as those cases investigated and closed in 2017/18 SAFS assisted with advice and guidance to staff/mangers, or issued warning letters to customers, on 48 occasions across a number of service areas including HR and Housing teams.
- 2.10 SAFS completed the delivery of a framework contract for all councils in Hertfordshire to conduct reviews of council tax discounts and exemptions to improve revenue collection and prevent fraud. These services are provided with a split in costs between Hertfordshire County Council, the Police and Crime Commissioner and Hertfordshire's District and Borough councils (apportioned as per council tax precepts).
- 2.11 SAFS have worked very closely with parking enforcement officers across the District and Borough Councils to bring prosecutions for persistent misuse of Blue Badges by third parties. This relationship at the Council has worked well with Parking Enforcement, CCTV and SAFS staff conducting joint patrols to check and verify blue badges being displayed on sites across the Borough. This partnership approach resulted in eleven prosecutions for Blue Badge abuse in 2017/2018, across all SAFS Partners, and another eight Blue Badges being cancelled for suspected misuse.
- 2.12 SAFS ensured the Council's compliance with the requirements of the National Fraud Initiative (NFI) 2016/17. The NFI is a national anti-fraud data sharing exercise, conducted by the Cabinet Office every two years, across local and central government to identify potential fraud.
- 2.13 SAFS work very closely with the Councils Housing Department and in particular lead and advise the in-house Tenancy Fraud Officer. In 2017/18 10 Council properties that were being used in contravention of tenancy agreements were recovered and re-let to local residents from the Councils Housing Register. Two additional investigations regarding Right to Buy applications were rejected on the grounds that they were

fraudulent. This action prevented the sale of two properties and discounts exceeding £155,000 being claimed by the tenants.

- 2.14 SAFS have arranged specialist free training events for staff, covering areas including ID fraud and application fraud. SAFS continues to work with front-line staff and issue alerts and warnings of new and emerging fraud threats.

3. Transparency Code- Fraud Data

- 3.1 The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what data local authorities must publish.

- 3.2 The Code also recommends that local authorities follow guidance provided in the following reports/documents:

CIPFA: *Fighting Fraud Locally Strategy*

(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118508/strategy-document.pdf).

The National Fraud Strategy: *Fighting Fraud Together*

(<https://www.gov.uk/government/publications/nfa-fighting-fraud-together>)

CIPFA Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*

(http://www.cipfa.org/-/media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf)

- 3.3 The Code requires that Local Authorities publish the following data in relation to Fraud. The response for Stevenage Borough Council for 2017/18 is in **Bold**:

- 1 Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.

Nil. (The Council is a Partner to the Hertfordshire Shared Anti-Fraud Service and makes use of the National Anti-Fraud Network (NAFN) to conduct such enquiries on the Council's behalf)

- 2 Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud – **2.5 FTE**

- 3 Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists – **2.5 FTE**

- 4 Total amount spent by the authority on the investigation and prosecution of fraud - **£100,000**

- 5 Total number of fraud cases investigated - **61 Cases investigated and closed in year**

3.4 In addition, the Code recommends that local authorities publish the following

- Total number of cases of irregularity investigated-

See 5 above

- Total number of occasions on which a) fraud and b) irregularity was identified.

27

- Total monetary value of a) the fraud and b) the irregularity that was detected.

£105,000 of fraud losses & £408,000 of fraud savings/prevention

- Total monetary value of a) the fraud and b) the irregularity that was recovered.

Not recorded.

**Stevenage Borough Council
Anti-Fraud Plan
in partnership with the
Hertfordshire Shared Anti-Fraud Service
2017/2018**



Contents

Introduction	3
The National Context	4
Stevenage Borough Council Anti-Fraud Action Plan 2017/2018	5
SAFS Resources for Stevenage Borough Council 2017/2018	6
SAFS KPIs for Stevenage Borough Council 2017/2018	7
SAFS Standards of Service for Stevenage Borough Council	8

Introduction

This plan supports the Councils Anti-Fraud and Corruption Policy by ensuring that the Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service, has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Policy states that the Council;

- Is opposed to fraud and corruption,
- recognises the need for staff and Members to support the policy,
- expects Members and staff to adhere to the highest standards of honesty and integrity,
- that Members and staff will act in accordance with legal requirements and Council procedures
- that individuals and organisations that deal with the Council to meet the same standards.

This plan includes objectives and key performance indicators to measure the Councils effectiveness against its Policy and meet the best practice guidance/directives from central government department such as Department for Communities and Local Government and other bodies such as National Audit Office and the Chartered Institute for Public Finance and Accountancy.

National Context.

The Chartered Institute for Public Finance and Accountancy (CIPFA) ***Local Government Counter Fraud and Corruption Strategy (2016-2019)*** included a summary of fraud losses across councils in England.

- Actual fraud losses reported by local government in 2013 totalled £207m (this excludes housing benefit)
- Hidden fraud loss for local government was estimated at £1.9bn.
- As admitted previously by the National Fraud Authority in 2013 the scale of fraud against local government is large, but difficult to quantify with precision.
- The strategic response to fraud threats contains three main principles 'Acknowledge/ Prevent/ Pursue'.

In its 2015 publication '***Code of practice on managing the risk of fraud and corruption***' CIPFA highlights five principles outlining public bodies responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management

The five key principles of the code are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

Appendix A- SBC/SAFS Anti-Fraud Plan 2017/18

SAFS/ SBC Team Business Plan 2017 2018					
Mission	Objectives	Goals	Strategies	Measures/Success Criteria	Responsibility
ACKNOWLEDGE	ACKNOWLEDGEMENT The risk of fraud the the Councils responsibility to prevent and investigate fraud	Show the Councils Willingness to Combat Fraud	Anti- Fraud Strategy	Have in place an Anti-Fraud and Corruption Strategy	Head of Legal
			Membership of SAFS	Retaining Board Membership of SAFS	S.151 Officer
			Internal Audit	Have in place an effective IA Plan and Audit Committee	S.151 Officer
			Member Support	Policies to deal with Money Laundering/ Bribery/ Whistleblowing/ Sanctions	Head of Legal
PREVENT	FRAUD AWARENESS Promote an effective anti fraud culture within the Council	Enhance the level of fraud awareness internally and externally	Local News Media	Issue a press release for every successful prosecution in 2017/2018	SAFS/Comms
			Promote Fraud Team	Promotion of internet fraud pages (SAFS) and local media exposure	SAFS/Comms
			Fraud Awareness Training	Deliver five fraud awareness/ training sessions to Council staff, or tailored training as requested by services	SAFS
			Internal Awareness	Conduct an E-Survey of fraud awareness across officers	SAFS
	CUSTOMER SERVICE Service performance is managed to the highest standards so that agreed levels of service are met	Ensure customers and staff are informed about counter fraud work	Customer Service	Provide customers with information /posters about fraud costs and impact on services	SAFS
			Housing Fraud	Monthly meetings with SBC Housing	SAFS/Hsing Mgt
PURSUE	PERFORMANCE Maximize performance through robust risk assessment and quality investigation work.	Be recognized as a high performing and successful fraud team.	Meeting SAFS Champion	Quarterly meetings with SBC SAFS Board Rep	SAFS/S.151
			Reports to Audit Comms	2 Reports to SBC Audit Committee	SAFS
			Quality Fraud Referrals	100% risk assessment on all fraud referrals received	SAFS
			Individual Targets	SAFS CFO- Set PMDS Targets to match SBC KPIs	SAFS
	QUALITY INVESTIGATIONS Undertake high quality investigations maximizing all investigative resources and achieving value for money	Ensure that investigations comply with the law and are beyond reproach	Data Matching	NFI Data Matches 2017 to be reviewed in year	Audit Manager
			Fraud Referrals	Monitor source of fraud referrals each quarter	SAFS
			Performance Report	Issue a performance report in Summer 2018	SAFS
			Interview Under Caution	SAFS management checks on all sanctions issued	SAFS
	SANCTIONS/PROSECUTIONS Instigate legal sanctions to counter criminal behaviour	Ensure the prosecution of fraud and dishonesty in appropriate cases	Sanction Files	File management checks on live caseload	SAFS
			Witness Statements	100% check on witness statements used in prosecution cases	SAFS
			Legal Services	promote case conferences between Solicitors & Investigators in the Shared Legal Service with HCC	SAFS/ Head of Legal
			Prosecutions	Ensure all cases suitable for sanction are reviewed in line with Policy	SAFS
			Formal Cautions	Ensure that the Councils makes use of civil penalties where appropriate	SAFS/S.151
			Admin Penalty	Ensure that the use of Administrative Penalties is maximised	SAFS/S.151
			Legal Service Liaison	Continue to work with Shared Legal Service and maximise recovery of costs	SAFS/ Head of Legal

SAFS Resources 2017/2018

Budget

In December 2016 the SAFS Board accepted a report from the SAFS Manager to restructure and reorganise the Service from April 2017/2018. This restructure would result in an increase in fees for all Partners. The Board agreed that the annual fee for District Councils, who held housing stock, would be fixed to £100,000 +VAT. The Board also received assurance from financial modelling that the service would be sustainable, in its current form for 5 years with an increase in fees each year at 1% from 2019 onwards.

It has been agreed that the service would be allowed to build up a small operating reserve but should this be exhausted all Partners agree to meet any shortfall in Budgets equally.

Staffing

The full complement of SAFS now stands at 14.5 FTE's; 1 Manager, 2 Assistant Managers, 8 Investigators and 2 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and 0.5 FTE Business Support who are funded from SAFS Budgets.

For staffing – Stevenage Borough Council will have exclusive access to 1 FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the local data-warehouse and call on one of the Assistant Managers for quarterly liaison meetings, management meetings and two Audit Committees reports per annum. SAFS will continue to support the work of the SBC Housing Fraud Officer. SAFS have access to an Accredited Financial Investigator (AFI) and criminal litigation services.

Appendix A- SBC/SAFS Anti-Fraud Plan 2017/18

SAFS

KPIs for Stevenage Borough Council

2017/2018

KPI	Measure	2017/2018 Target	Quarterly Target	SAFS Project Aims
1	Provide an Investigation Service	1 FTE on call (supported by SAFS Intelligence/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to Case Management System (CMS) Local Data Hub Fraud training events for staff*	100% of all	Ensure ongoing effectiveness and resilience of anti-fraud. Deliver a return on investment for the Councils financial contribution to SAFS.
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board	£400k From fraud identified and savings/prevention	£100k	Deliver financial benefits in terms of cost savings or increased revenue.
3	Allegations of fraud Received. From all sources.	100 Fraud referrals from all sources to SAFS	25	Improve the reach into the areas of non-benefit and corporate fraud within the county.
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	50%	Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.
5	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	Data-Hub for local data matching. Access to NFI output. County wide Council Tax Review Framework.	100%	Create a data hub for Hertfordshire.

*Costs will include salary and direct on-costs for CFO (1 FTE), ACFM (1/3 FTE), Intel Officer (1/3 FTE) = £62k. Costs for NAFN/CIPFA/CMS/ Data Hub = £10k. Costs for 5 training events = £2.5k.

SAFS - Standards of Service.

SAFS will provide the Council with the following fraud prevention and investigation services as part of the contracted anti-fraud function.

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud Prevention.
4. Assistance in the design of Council policies processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (data-warehouse) to identify fraud and prevent fraud occurring.
 - The data-warehouse will be funded by SAFS and located in accordance with Data Protection Act requirements.
 - The data-warehouse will be secure and accessible only by named SAFS Staff. Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for SAFS Partners to review and agree to as they choose. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
 - SAFS will work with nominated officers in the SAFS Partners to access data-sets to load into the data-warehouse and determine the frequency of these.
 - SAFS will work with Partners to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
7. All SAFS Staff will be qualified, fully trained and/or accredited to undertake their duties lawfully, or be working towards such qualifications.
8. All SAFS investigations will comply with legislation including DPA, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
9. Reactive fraud investigations.
 - All reported fraud will be actioned by SAFS within 10 days.
 - The Council will be informed of all reported fraud and how SAFS are going to deal with this.
 - SAFS will allocate an officer to each investigation.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems/accommodation required to undertake their investigations.
 - SAFS Officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.

Appendix A- SBC/SAFS Anti-Fraud Plan 2017/18

- Where a decision indicates an offence SAFS Officers will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies. Decisions on imposition of any sanction will lay with the Council but the issue of any penalty will be resolved locally on a case by case basis.
 11. SAFS will provide reports through the SAFS Board on progress and to the Council's Audit Committee.
 12. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.

**Data Protection Act, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act.*

Appendix B- Reported Fraud/ Outcomes and Values 2017/18

Stevenage Borough Council									
FRAUD REFERRALS									
REFERRAL SOURCES									
TOTAL	Staff	Public	Proactive	Other Agency					
189	82	76	19	12					
REFERRAL TYPES									
TOTAL	CTRS/HB	Discounts	Housing	Blue Badge	NNDR	Staff	Other		
189	97	6	62	21	0	2	1		
CASES CLOSED									
ALL CASES CLOSED									
TOTAL	Rejected	Intervened	Proved	Not Proved					
195	48	88	27	32					
POSITIVE CASES CLOSED									
Total	% Positive	Sanctioned	Prosecuted	Property recovered	Blue Badge Cancelled	Application withdrawn	Employee disciplined	Employee Dismissed	Proved No Sanction
27	44%	5	4	10	0	3	0	0	5
FINANCIALS									
FRAUD LOSSES									
TOTAL	CTAX	Blue Badge	Housing	Staff	NNDR	Insurance	HB	Other	
£105,796	£9,354	£0	£42,000	£0	£0	£0	£54,442	£0	
FRAUD SAVINGS/ FUTURE REVENUE									
TOTAL	CTAX	Blue Badge	Housing	RTB	Staff	NNDR	Insurance	HB	Other
£408,754	£5,293	£3,550	£216,000	£155,900	£0	£0	£0	£28,011	£0
FINANCIAL BREAKDOWN									
	Loss Recoverable	Loss Non Recoverable	Revenue	Savings					
Housing Benefit	£54,442		£21,776	£ 28,011	Rev for HB is from DWP Subsidy/ Savings is value of prevention				
Council Tax	£9,354		£5,293		Rebill value for Ctax				
Housing Tenancy		£42,000		£ 216,000	Based on cost of temp accomodation				
RTB				£ 155,900					
Blue Badge				£ 3,550	Based on additonal parkng revenue				
Other					Savings through prevention				
Total	£63,796	£42,000	£27,069	£ 403,461					
SANCTIONS APPLIED					VALUE OF SANCTIONS APPLIED				
TOTAL	Ad-pen	Caution	Civil penalty		TOTAL	Ad-pen	Civil penalty		
5	1	0	4		£490	£570	£420		

Appendix C- SAFS KPI Performance 2017/18

KPI	Measure	Target	Achieved in Year	SAFS Project Aims
1	Provide an Investigation Service	1 FTE on call (supported by SAFS Intelligence/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to Case Management System (CMS) Local Data Hub Fraud training events for staff*	<ul style="list-style-type: none"> 1 FTE on Training delivered, including new I-Learn Counter Fraud package for all staff CMS and Data-Hub operational Membership of : <ul style="list-style-type: none"> CIPFA Counter Fraud Centre, National Anti-Fraud Network County Council CF Network London Fraud Forum & LBFIG 	<p>Ensure ongoing effectiveness and resilience of anti-fraud arrangements.</p> <p>Deliver a return on investment for the Council's financial contribution to SAFS.</p>
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board	£400k From fraud identified and savings/prevention	<ul style="list-style-type: none"> £105,797 Fraud losses £418,624 of fraud savings In addition: <ul style="list-style-type: none"> 10 Council Properties Recovered Prosecutions were taken in three matters Applied financial penalties or cautions on 5 occasions 	Deliver financial benefits in terms of cost savings or increased revenue.
3	Allegations of fraud Received. From all sources.	100 Fraud referrals from all sources to SAFS	189 Allegations Received	Improve the reach into the areas of non-benefit and corporate fraud within the county.
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	44% (27 cases proved from 61 cases closed cases) SAFS also reviewed or provided advice in 48 other matters	Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.
5	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	Data-Hub for local data matching. Access to NFI output. County wide Council Tax Review Framework.	<ul style="list-style-type: none"> SAFS Data Sharing Agreement reviewed 2018. SAFS undertook NFI 2016/17 process for the Council. SAFS delivered the County wide Council Tax Review Framework-predicted to identify £5m of new review by 2021. 	Create a data hub for Hertfordshire.

For the Council 'Fraud Loss' is where a fraud has occurred resulting in a debt that can be recovered through civil/statutory routes. 'Fraud Savings' reflect attempted frauds that have been prevented or an ongoing 'Loss' that has been stopped.



SAFS

Shared Anti-Fraud Service
Fighting Fraud in Partnership

The Hertfordshire Shared Anti-Fraud Service (SAFS) Annual Report 2017/18



SAFS

Shared Anti-Fraud Service
Fighting Fraud in Partnership



Luton



Annual Report Contents

Introduction & Highlights	1
Levels of Delivery	2
Performance - Outcomes	3 - 4
Performance- Financials	5
Added Value & Shared Learning	6
Data Hub	7
A Center of Excellence	7
Future Developments	8
SAFS Budget and Finances	9
SAFS Board Members	10
SAFS Team	11

Introduction and Highlights

Welcome to the annual report covering the activity of the Shared Anti-Fraud Service in the 2017/18 financial year.

Established in 2015, SAFS is now recognised as a centre of best practice (CIPFA 2017) and has been nominated on three occasions for the Governments *Counter Fraud Awards*. The commitment and dedication of the team, the support of our partners and the SAFS Board allows the service to develop and adapt to address the growing risk of fraud to local government.

2017/18 brought a number of positive changes with new partners and clients joining the service: however, the service also dealt with a number of challenges associated with resourcing and a restructure. Despite this, the service was still able to ensure that all Key Performance Indicators (KPIs) for 2017/2018 were met, or exceeded, and this was due to the hard work of staff within the service and our partner councils.

With the current financial climate in Local Government forcing SAFS partners to consider their investment in counter-fraud work, there is a need for the service to ensure that it continues to provide its services in the most cost effective way. The service evidenced this 2017/18 implementing a major restructure whilst continuing to deliver high quality services to its clients.

I am very proud of the work of the team and delighted to be able to share some of the highlights of 2017/18 in this report.

Nick Jennings

Head of Counter Fraud for the Shared Anti-Fraud Service

June 2018



SAFS

Shared Anti-Fraud Service
Fighting Fraud in Partnership

Levels of Delivery

Despite the service facing some resourcing challenges during the year arising from staff sickness, unplanned absences and vacancies, as well as recruiting to several new posts, it achieved or exceeded all of its KPIs in 2017/2018.

The Anti-Fraud Actions Plans for all SAFS partners were delivered, either having been achieved in full or very close to completion, with a number of important local KPI targets also being exceeded. Reports for individual partner Audit Committees detail the local performance of SAFS in that Council.

Figure 1: SAFS KPI Performance 2017/18

KPI	Measure	2017/2018 Target	2017/2018 Performance	Notes
1	Deliver effective counter fraud services to each partner	Deliver each partners Anti-Fraud Action Plan for 2017/2018	All Partner Plans & KPIs met or exceeded	Ongoing effectiveness and resilience of anti-fraud arrangements.
2	Identified value of fraud losses and savings in year.	£1.5m	£4m	Deliver financial benefits in terms of cost savings or increased revenue.
	Added Value	None Financial (reported to Board and Partners)	Recovered 19 Council Properties. Seized 8 Blue Badges and cancelled more than 4,000. Generated fines and awards of costs in excess of £30k.	
3	Allegations of fraud received	800	976	Improve the reach into the areas of corporate fraud across Partners.
4	Success rates on outcomes	50%	58% (141 cases proved/ 101 not proved)	Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.
	Sanction Cases	60	62 (includes 21 prosecutions)	
5	Create Data-Hub and Conduct Data-Matching	'Data Hub' operating and further activity on data-sharing	Data-warehouse operational. NFI for Partners. Partner Specific data-matching	Create a data hub for Hertfordshire.
6	Identify new areas of business	Add one new client/ Partner to SAFS in year	Aldwyck Housing Ltd and Watford Housing Trust joined SAFS in 2017/2018	Develop services which can be marketed to external bodies.

Performance - Outcomes

Across all SAFS Partners 976 allegations of fraud (Referrals) were received in 2017/18. These varied from numerous low value matters such as blue badge abuse reported by members of the public and housing benefit/council tax fraud identified by revenues teams, to high value or high risk cases involving internal fraud, social care or housing/tenancy fraud. High value cases are mostly reported by staff.

Figure 2a: Fraud Referrals by type (High Volume)



Figure 2b: Fraud Referrals by type (High Value/Risk)

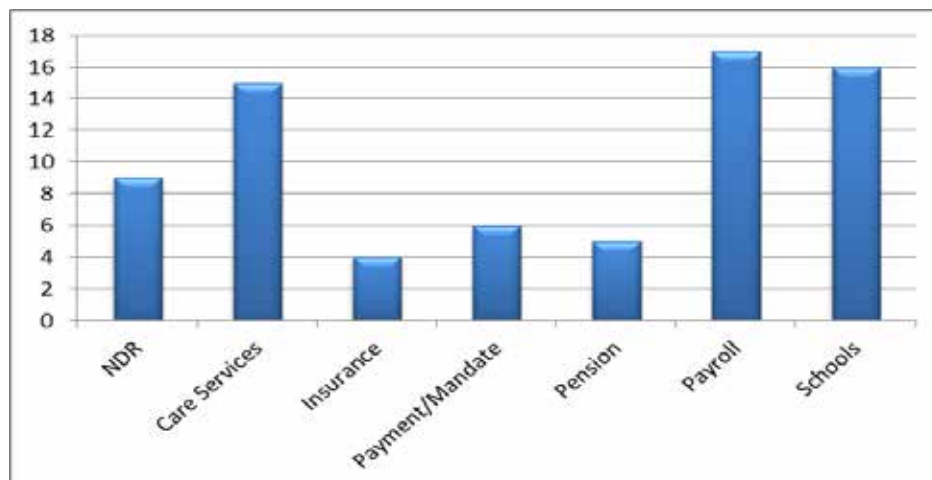
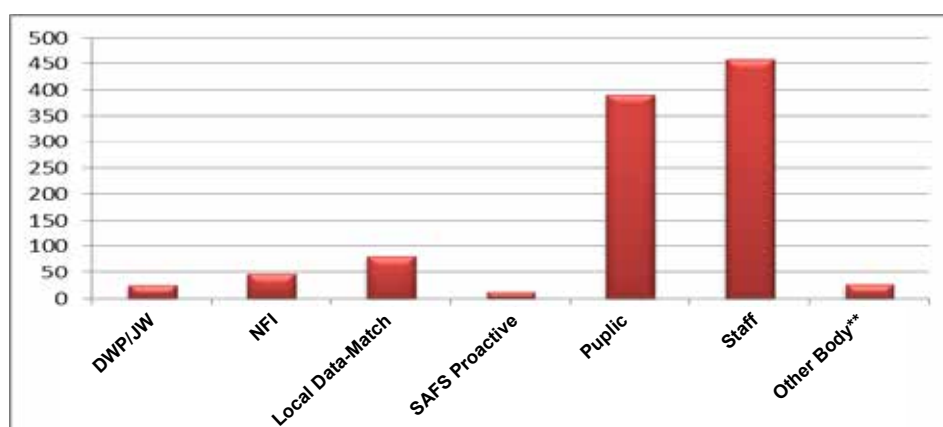
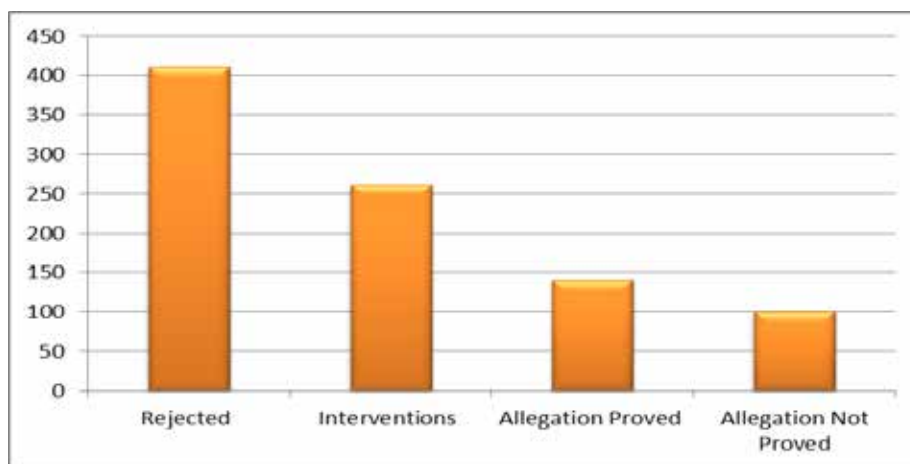


Figure 2c: Fraud Referrals by source



** includes police and other councils.

Figure 2d. Cases Closed in Year



- **Rejected (411)** – Where no action was taken with the allegation. This may be due to the quality of the report, that it did not fall into SAFS remit or the value of the alleged fraud can be dealt with administratively without need for further investigation.
- **Interventions (262)** – Where the allegation suggests the fraud risk is low. In these cases we may issue: a warning letter to the subject to remind them of their responsibility; or a review form asking the subject to confirm their current circumstances.
- **Allegation Proved (141)** – Where the allegation has been substantially proved and resulted in a fraud being prevented, an ongoing loss stopped or a historic loss identified. It could also include a sanction such as a civil penalty or prosecution being applied.
- **Allegation Not Proved (101)** – Where an investigation has been conducted but the allegation has not been proved to either a civil or criminal standard.

As well as closing **242** investigations in the year (**141** with a positive outcomes, and **101** where fraud could not be proved), SAFS also conducted **119** Council Tax Discount and **45** Right to Buy reviews.

Of the **141** cases where fraud was established, and the case closed in year, SAFS assisted or dealt with the following outcomes:

- **19 social properties recovered**
- **19 successful prosecutions**
- **3 formal cautions issued**
- **3 staff disciplinary outcomes**
- **34 financial penalties applied**

SAFS carried forward into 2018/2019 396 live cases, which include 39 cases pending prosecution, 12 cases where social housing is awaiting recovery, and more than 30 cases pending disposal by way of financial penalty.

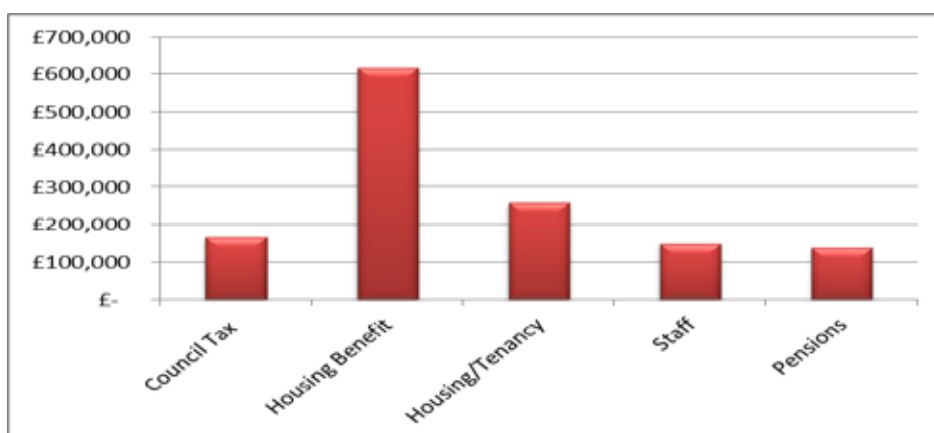
Performance – Financials

One of the key objectives for SAFS is to be self-funding through the identification of savings and new revenue for its partners through the investigation of alleged fraud and recovery of fraud losses. The SAFS Board received a paper in 2017 defining how the Service would record the value of savings/revenue identified from the work it undertook.

In 2017/18 the Service recorded Fraud Losses of £1.3m and Fraud Savings of £1.1m. Through SAFS work reviewing NFI Reports a further £1.6m in Fraud Savings was reported to the Cabinet Office, which is not included in the tables below.

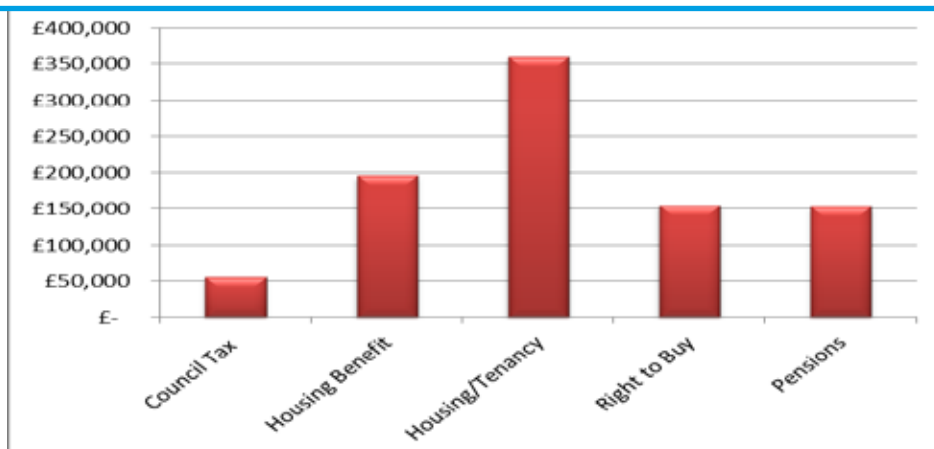
'Fraud Loss' is where a fraud has occurred resulting in a debt that can be recovered through civil/statutory routes. 'Fraud Savings' reflect attempted frauds that have been prevented or an ongoing 'Loss' that has been stopped.

Figure 3a: Fraud Losses identified in year.



This chart represents the service areas where substantial losses have occurred. Some of these may be recoverable others may not be. A further £20,000 in losses was recorded in other areas due to fraud. Housing Benefit fraud is a notoriously difficult debt to recover, but to the £618,000 HB fraud losses identified can be added £247,000 in subsidy that will be claimed by those councils administering the HB scheme.

Figure 3b: Fraud Savings identified in year.



The figures above represent the service areas where substantial future savings have been identified, or in the case of Council Tax new revenue generated. An additional £100,000 of savings was identified through prevention in areas such as cyber enabled frauds, fraudulent insurance claims, staff fraud/theft or blue badge misuse.

Added Value & Shared Learning

In addition to the reactive and proactive investigations work conducted, the SAFS Team is tasked with delivering activity across partners to raise awareness of the risk of fraud and assist with the prevention and deterrence of fraud.

- SAFS provided training to front line staff in many partners last year including general fraud awareness and service specific training. SAFS have developed an E-Learning training package, with assistance from HCC's Learning and Development Team, which will be rolled out to all Partners in 2018. This package includes modules on bribery and money laundering as well as fraud and corruption.
- Through SAFS fees each partner has free access to the services provided by the National Anti-Fraud Network (NAFN) and training in the use of this, on-line service, has been delivered to a number of debt recovery and housing teams.
- SAFS continues to provide guidance and advice files to partners where specific, new or emerging fraud matters come to light, or changes in legislation require a review of existing policies.
- In 2017/2018 SAFS communicated 21 fraud-alerts to partners from NAFN, National Fraud Intelligence Bureau, Hertfordshire Constabulary, CIPFA and the London Fraud Forum through its membership/subscription to each of these agencies.
- SAFS assisted all partners with the National Fraud Initiative 2017 and, for several, undertook the whole exercise, including data upload and results, acting as the SPOC for those Councils. SAFS assisted the County Council's Customer Service with more than 20,000 NFI matches for Blue Badge and Concessionary Bus Passes. The outcome of this work was the removal of 5,000 records from the County Council's systems and reporting to the Cabinet Office of savings in excess of £1.6m.
- In April 2017 SAFS, working in partnership with officers from the County Council, East Herts Council & St Albans City Council, delivered the final version of a framework contract for all the district and borough councils in Hertfordshire to conduct council tax reviews using a variety of call-off contracts with a number of specialist providers.
- In the summer of 2017 the DWP, MHCLG and the LGA approved the national roll-out of joint working between local councils and the DWP, following the success of six pilot sites across the UK. Three of those sites were North Hertfordshire, East Herts and Stevenage Councils. Staff from those SAFS partners, the SAFS team and DWP worked together to identify more than £350k in social security fraud.

"I've been the Project Implementation Manager working with SAFS and the DWP Investigation Team to make sure that Joint Working operated smoothly and that both teams had the tools they needed to work effectively and efficiently within the law. It's been a pleasure as both teams were open to the new way of working and enthusiastically embraced the opportunity to test the processes and help us evaluate what we'd put in place. It hasn't all been smooth as you would expect with a test but thanks to a 'can do' attitude Joint Working is now effectively business as usual."

Susan Baker

Joint Working Support Team | Fraud, Error & Debt Programme | Department for Work and Pensions

Data Hub

SAFS has reviewed all data-sharing agreements, contracts, MOUs, and security protocols in preparation for GDPR and DPA 2018 compliance, and continues to collect a wide variety of data from each partner council on a monthly cycle which allows for proactive data-matching.

This has enabled SAFS to match third party data to data from partners such as the Charity Commission, Cabinet Office, Google-Maps and credit reference agencies. This helped to provide tailored data-matching to Broxbourne Council for Business Rates; Hertsmere Council for Housing Applications; and the County Council for employees and pensions as well as bulk data-matching to identify tenancy fraud for Stevenage and Luton Councils.

"We see many counter fraud initiatives at the Counter Fraud Centre we also see many 'hubs'. This is a really good and rare example of cross public sector real joint working on a data hub whilst linking with national agencies and that has produced clear results. They aren't just saying it – they are doing it. "

Rachael Tiffen

Head of Counter Fraud, CIPFA.

A Centre of Excellence

Two medium term objectives for SAFS was the creation of a 'centre of excellence' and delivery of services that could be marketed to other bodies.

The SAFS Partnership was a finalist in the Government's 2016 Counter Fraud Awards as a result of its collaborative approach to countering the threat of fraud. In 2017 the Service was again nominated for awards by CIPFA and the DWP. SAFS officers have been invited to speak at a number of forums and conferences including the national *Fraud Error and Debt Conference*, *Tenancy Fraud Conference*, *CIPFA Best Practice Workshops* and the *Fighting Fraud and Eliminating Error Summit*. SAFS was highlighted in CIPFA's publication *Counter Fraud Report 2017* as an example of best practice in delivering a counter fraud partnership.

SAFS have assisted a number of Councils who are considering developing similar partnerships or simply developing an effective anti-fraud service.

In 2017 Luton Borough Council joined SAFS and three housing providers, Aldwyck Housing, B3Living and Watford Housing Trust all became clients with retainer contracts. As well as enhancing the scope and work of SAFS these new organisations provide additional resilience for the Service as a whole.

SAFS works with a number of Councils and private sector companies who provide specialist IT, surveillance, financial, forensics and data-analytic skills enabling it to improve the quality and depth of its investigations to better support its partners.



Future Developments

The *SAFS Service Plan 2018/19* includes four core pieces of work as well as increased KPIs for the Service:

- 1.** Developing the Data-Hub. SAFS are trialing the Cabinet Office/NFI *Fraud Hub* in 2018/2019. If this trial is successful the intention is to replace the existing data-warehouse contract by April 2019. SAFS will be the first organisation to sign up to this innovative approach to live data-matching across local and central government to identify fraud through the use of improved analytics and risk scoring.
- 2.** Fraud in adult care has been identified by CIPFA as one of the largest growth areas of fraud risk for Councils. The County Council's Director for Adult Care has invested additional finances and management support into SAFS for 2018/19 to see how this emerging threat can be countered.
- 3.** Roll out of Joint Working with DWP. The trial of joint working with DWP from 2016 has been a huge success and SAFS will work with all District Partners to ensure the smooth roll-out of the national programme in late 2018.
- 4.** Case Management System (CMS). The current CMS contract is due to be re-tendered by March 2019. The Service will be looking for a contract that provides a 21st century solution to the specific needs of the Service.

SAFS will continue to deliver its existing services to its partners and clients and continually look for ways to improve the Service and react to new and emerging fraud threats. It will work with other bodies, across all sectors, working in partnership, sharing best practice, knowledge and experience.



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Fighting Fraud in Partnership

SAFS Budgets and Finances

The Budget for 2017/18 included an anticipated draw on reserve of £83k but savings made in legal costs, a rebate on the case management system and reduced staff costs, due to vacancies and unplanned absences, the actual draw on reserve was reduced to £12k.

The reserve carried into 2018/19 was £84k.

SAFS Budget against Out-turn 2017/18		Budget £	Actual Spend £	Variance £
Salaries & Salary Related	Salaries	£614,176	£572,372	-£41,804
Transport Related	Transport	£8,000	£7,113	-£887
Supplies & Services	Supplies	£90,000	£69,834	-20,166
Third Party Payments	3rd Party	£45,668	£32,548	-£13,120
Movement from Reserve	Reserves	-£83,844	-£12,701	-£71,143
Fees and Charges	Income	-£674,000	-£669,166	£4,834
Result		0	0	



SAFS

Shared Anti-Fraud Service
Fighting Fraud in Partnership

SAFS Board Members

The SAFS Board provides strategic direction and oversight for the partnership, bringing a wealth of local government experience and insight to our operation.

Steven Pilsworth	Hertfordshire County Council	Assistant Director – Finance
Terry Barnett	Hertfordshire County Council	Head of Assurance
Sajida Bijle	Hertsmere Borough Council	Corporate Director
Ian Couper	North Hertfordshire District Council	Director Finance, Policy & Governance
Sarah Marsh	Borough of Broxbourne Council	Head of Internal Audit
Isabel Brittain	East Herts Council	Head of Strategic Finance & Property
Clare Fletcher	Stevenage Borough Council	Assistant Director (Finance and Estates)
Dev Gopal	Luton Borough Council	Service Director, Finance & Audit



SAFS

Shared Anti-Fraud Service
Fighting Fraud in Partnership

SAFS Team

All SAFS staff are fully accredited or working towards professional accreditation relevant to their role within the service.

Nick Jennings	Head of Service
Paula Hornsby	Manager South Team
Darren Bowler	Manager North Team
Stephen Everett	Data- Analyst
Halina Nawrocka	Senior Counter Fraud Officer
Hilary Williams	Counter Fraud Officer
Faith Taggart	Counter Fraud Officer
Natalie Nelson	Counter Fraud Officer
Phil Juhasz	Senior Counter Fraud Officer
Hayley Fraser	Counter Fraud Officer
Gill Nichol	Counter Fraud Officer
Rob Fleming	Counter Fraud Officer
Bhavna Tailor	Counter Fraud Officer
Toni Gubby	Tenancy Fraud Officer (SBC)
Raul Avram	Counter Fraud Intern
Paula Staniford	Counter Fraud Intelligence Officer
Marina King	Counter Fraud Intelligence Officer
Sam Deards	Counter Fraud Intelligence Officer



SAFS

Shared Anti-Fraud Service
Fighting Fraud in Partnership



Luton





SAFS

Shared Anti-Fraud Service
Fighting Fraud in Partnership

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Stevenage Borough Council Audit Committee

20 November 2018

Shared Internal Audit Service – Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Note the Status of Critical and High Priority Recommendations

Contents

1 Introduction and Background

1.1 Purpose

1.2 Background

2 Audit Plan Update

2.1 Delivery of Audit Plan and Key Findings

2.4 Proposed Audit Plan Amendments

2.5 Critical and High Priority Recommendations

2.7 Performance Management

Appendices:

- A) Progress against the 2018/19 Audit Plan
- B) Implementation Status of Critical and High Priority Recommendations
- C) Audit Plan Items (April 2018 to March 2019) start dates agreed with management
- D) Assurance Definitions/Priority Levels

1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2018/19 Internal Audit Plan as at 2 November 2018.
 - b) The findings for the period 1 April 2018 to 2 November 2018.
 - c) The proposed amendments required to the approved Internal Audit Plan.
 - d) The implementation status of previously agreed audit recommendations.
 - e) An update on performance management information as at 2 November 2018.

Background

- 1.2 Internal Audit's Annual Plan for 2018/19 was approved by the Audit Committee at its meeting on 26 March 2018. The Audit Committee receive periodic updates against the Annual Internal Audit Plan.
- 1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 2 November 2018, 51% of the 2018/19 Audit Plan days had been delivered (calculation excludes contingency days that have not yet been allocated).
- 2.2 As at 2 November 2018, the following projects have been finalised:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
CSC Complaints Handling	August 2018	Substantial	One Medium, One Merits Attention
CCTV (joint internal audit)	August 2018	Limited	Nine High
Emergency Planning	August 2018	Good	None
Data Quality	Sept 2018	Satisfactory	One Medium, Two Low/Advisory
Cyber Security (2017/18 project)	Sept 2018	Limited	Three High, Two Medium

DFG Grant Certification	October 2018	N/A	N/A
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- 2.3 The table below also summarises the position with regard to 2018/19 projects as at 2 November 2018. Appendix A provides a status update on each individual project within the 2018/19 Internal Audit Plan. Details of start dates for the individual projects are also shown in Appendix C.

Status	No of Audits at this Stage	% of Total Audits
Final Report Issued	5	15%
Draft Report Issued	5	15%
In Fieldwork/Quality Review	6	18%
In Planning/Terms of Reference Issued	7	21%
Allocated	10	31%
Cancelled	0	0%

Total	33	100%
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Proposed Audit Plan Amendments

- 2.4 There has been no change to the Audit Plan since it was approved on 26 March 2018.

Critical and High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed ("signed off") by management; this includes an agreement to implement the recommendations that have been made.
- 2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

Performance Management

- 2.7 The 2018/19 annual performance indicators were approved at the SIAS Board meeting in March 2018. Targets were also agreed by the SIAS Board for the majority of the performance indicators.
- 2.8 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target	Actual to 2 November 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	46% (159/347 days)	51% (178.5/347 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	36% (12/33 projects)	30% (10/33 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (7 received) Note (1)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	100% (12 High agreed) Note (2)

Note (1) - 3 of those received in 2018/19 relate to 2017/18 projects.

Note (2) - 3 of the 12 recommendations relate to a 2017/18 project.

APPENDIX A - PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 2 NOVEMBER 2018

2018/19 SIAS Audit Plan

AUDITABLE AREA		LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
			C	H	M	LA				
	Key Financial Systems – 75 days									
Main Accounting System (General Ledger)							6	Yes	0	Allocated
Debtors							10	Yes	0	Allocated
Creditors							12	Yes	0	Allocated
Treasury Management							6	Yes	0.5	In Planning
Payroll							12	Yes	0	Allocated
Council Tax							6	Yes	6	Draft Report Issued
NDR							6	Yes	0.5	ToR Issued
Housing Benefits							6	Yes	1	In Fieldwork
Cash and Banking							5	Yes	5	Draft Report Issued
Housing Rents							6	Yes	0	Allocated
	Operational Audits – 124 days									
Data Quality		Satisfactory	0	0	1	2	15	Yes	15	Final Report Issued
GDPR – Post Implementation Review							10	Yes	10	Draft Report Issued
Land Charges							7	Yes	2.5	ToR Issued
Emergency Planning		Good	0	0	0	0	10	Yes	10	Final Report Issued
Street Cleansing							15	Yes	15	Draft Report Issued
CCTV – joint review		Limited	0	9	0	0	12	Yes	12	Final Report Issued
Development Management							10	Yes	1.5	ToR Issued
Homelessness Reduction Act							10	Yes	0	Allocated
Debt Recovery							12	Yes	10	In Quality Review
Anti-Social Behaviour							10	Yes	2	In Planning
Herts Home Improvement Agency							2	Yes	1.5	In Fieldwork
DFG Capital Grant Certification		N/A	0	0	0	0	1	Yes	1	Final Report Issued

APPENDIX A - PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 2 NOVEMBER 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Digital – Connected to our Customers						10	Yes	5	ToR Issued
Procurement, Contract Management and Project Management – 24 days									
Refurbishment Contract						12	Yes	1	In Planning
Housing Development Schemes						12	Yes	5.5	In Fieldwork
Risk Management and Governance – 10 days									
Risk Management						5	Yes	0	Allocated
Corporate Governance						5	Yes	0	Allocated
IT Audits – 30 days									
Cyber Security – (TSS Improvement Plan – Security)						6	Yes	0	Allocated
Incident Management / Major Incident Review Follow-up (TSS Improvement Plan – Resilience)						6	Yes	0	Allocated
Mobile Device Management and BYOD						6	Yes	6	Draft Report Issued
TSS Improvement Plan - Governance						12	Yes	10	In Quality Review
Shared Learning and Joint Reviews – 6 days									
Shared Learning						2	Yes	2	In Progress
Joint Reviews - tbd						4	No	0	Not yet allocated
Ad Hoc Advice – 5 days									
Ad Hoc Advice						5	No	3.5	Through Year
Follow-up Audits – 10 days									
Repairs and Voids Service						10	Yes	2.5	In Fieldwork
Completion of 17/18 Projects – 20 days									
CSC Complaints Handling	Substantial	0	0	1	1	10	Yes	10	Final Report Issued
Other						10	Yes	10	Final Reports Issued
Contingency – 3 days									

APPENDIX A - PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 2 NOVEMBER 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Contingency						3	No	0	Not yet allocated
Strategic Support – 43 days									
Annual Report and Head of Internal Audit Opinion 2017/18						3		3	Complete
Audit Committee						10		8.5	Through Year
Client Liaison						8		6	Through Year
Liaison with External Audit						2		1	Through Year
Monitoring						10		5.5	Through Year
SIAS Development						5		5	Through Year
2019/20 Audit Planning						5		0	Through Year
SBC TOTAL		0	9	2	3	350		178.5	

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
1.	CCTV (joint review).	We recommend that the governance framework for the overall CCTV Partnership is reviewed and confirmed as being fit for purpose, or changed as necessary, and is clearly understood by all parties, including the respective roles and responsibilities of the relevant Members and Officers.	We will draft a governance framework for the overall CCTV arrangements to include: - Governance for Hertfordshire CCTV Partnership - Governance for Hertfordshire CCTV Partnership Ltd. - Governance lines between the Partnership and the Company - Member roles and responsibilities - Officer roles and responsibilities These will be consulted on and agreed by the CCTV Joint Executive and the Company Board of Directors.	CCTV Joint Executive and Company Board of Directors.	1 December 2018.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.
2.	CCTV (joint review).	We recommend that an appropriate new Partnership Agreement between the current four CCTV Partner Authorities is drawn up and executed. It should clearly include the	We will prepare an updated CCTV Partnership Agreement drafted through the CCTV Officer Management Board to be signed by all four Partner Authorities.	CCTV Officer Management Board.	31 March 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
		specific roles and responsibilities of the Partner Authorities. It should also clearly state the relationship the Partner Authorities have with Hertfordshire CCTV Partnership Ltd. and the function of that company in respect of the overall CCTV Partnership.					
3.	CCTV (joint review).	We recommend that the current Shareholders' Agreement for the Company is reviewed to ascertain if it remains fit for purpose and, if so, that the terms are fully complied with.	The Company Directors' will consider this recommendation through their Shareholder Representatives in light of future considerations relating to the future of Hertfordshire CCTV Partnership Ltd.	Company Board of Directors.	31 March 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.
4.	CCTV (joint review).	We recommend that appropriate revised / new Terms of Reference for the CCTV Joint Executive and the CCTV Officer Management Board are drawn up and formally agreed.	Terms of Reference will be updated for the CCTV Joint Executive and a Terms of Reference will be created for the CCTV Officer Management Board.	CCTV Joint Executive and CCTV Officer Management Board.	31 March 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.
5.	CCTV (joint review).	We recommend that, once agreed, the	New Terms of Reference will be	Each of the four Partner	31 July 2019.	This is a new addition and the management	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
		revised/new Terms of Reference for the CCTV Joint Executive and the CCTV Officer Management Board are revised / added in the Constitutions for each of the four Partner Authorities, together with the updated Member/Officer representation for both groups.	submitted for formal incorporation into constitutional arrangements for the four Partner Authorities.	Authorities.		response opposite is therefore the latest comment.	
6.	CCTV (joint review).	We recommend that a new five year Business Plan for the overall CCTV Partnership is drawn up and agreed. As a minimum, the plan should be monitored on a monthly basis in terms of achievements against projections and it should be the subject of a full review and refresh annually to cover the next five years ahead on a rolling basis. Besides financial projections, it should include non-financial aims and targets that should be monitored, reviewed and refreshed on the same basis.	We will develop a new five year rolling Business Plan (with monthly monitoring and full annual reviews) for the overall Hertfordshire CCTV Partnership based on decisions about the future direction of Hertfordshire CCTV Partnership Ltd.	CCTV Joint Executive and Company Board of Directors.	31 July 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
7.	CCTV (joint review).	We recommend that the role and responsibilities of the SBC Group Accountant in respect of the overall CCTV Partnership are reviewed, evaluated and formerly confirmed. Consideration should be given to increased use of the external Accountants with regard to the accounting requirements of Hertfordshire CCTV Partnership Ltd.	The role of the SBC Group Accountant in relation to the overall Partnership will be clarified in the revised Partnership Agreement. The Company Directors will consider the accountancy needs of the Company and source appropriately.	CCTV Officer Management Board, Company Board of Directors and SBC Assistant Director, Finance & Estates.	31 July 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.
8.	CCTV (joint review).	We recommend that all reporting arrangements for the Partner Authorities are formally reassessed, agreed and documented to ensure there is complete clarity and transparency of expectations and understanding across all interested parties regarding the need, responsibility, frequency, timing, content, format and distribution of each report required.	Authority reporting arrangements to be included as part of a revised Partnership Agreement, Shareholder Agreement and Terms of Reference as necessary.	CCTV Joint Executive, CCTV Officer Management Board and Company Board of Directors as appropriate.	31 July 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
9.	CCTV (joint review).	We recommend that there is a review of how charges are being calculated and billed to the Partner Authorities, clarification of who is responsible for this and agreement of the timing.	A schedule of charges to be prepared for the Partnership. The schedule will identify recharges applied to the Partnership, including; staffing, overheads, IT, etc. The schedule will also include recharges applied to Hertfordshire CCTV Partnership Ltd. A quarterly finance report to be prepared for the CCTV Officer Management Board, to include year-end financial projections for the Partnership.	SBC Assistant Director, Finance & Estates.	1 November 2018.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.
10.	Cyber Security	The Council must define its position regarding its ability to identify and manage devices that are connecting to its IT network. A solution must be able to manage devices that have physically connected to the Councils' IT networks. Devices that have connected to the network should be	This will be resolved with the correct solution not only for devices but also for ports on all devices that need to be restricted.	Strategic ICT Partnership Manager.	31 March 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
		<p>reviewed and, where they are found to have not been authorised, they should be removed. The solution should include the use of personal devices to connect to the IT network.</p> <p>Furthermore, management should put arrangements in place to monitor network access on a regular basis.</p>					
11.	Cyber Security	<p>Management should perform a full review of the Councils' perimeter firewall rules and, where necessary, remove inactive or unnecessary rules unless explicitly required. The 'Any' rules should be replaced with port object groups that contain an explicit set of ports as required for the rule.</p> <p>Management should also ensure that all users that have access and can make changes to any of the Councils' external firewall rules have individual accounts</p>	<p>The majority of the council's firewalls need replacing and part of that work will require the correct configuration and management. ICT Partnership Manager has been tasked to restructure the ICT department and as part of that to have dedicated security and network staff to resolve and maintain control of these areas.</p>	Strategic ICT Partnership Manager.	31 March 2019.	<p>This is a new addition and the management response opposite is therefore the latest comment.</p>	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
		and should put arrangements in place for monitoring all configuration changes. Furthermore, management should establish a record of how all firewalls, both internal and external, have been configured and should review the rules for appropriateness on a routine basis.					
12.	Cyber Security	Management must complete the action on the IT Improvement Plan to migrate all IT services and systems onto servers that are running supported operating systems. Furthermore, the Councils' patch management procedures should be approved and made available to all relevant members of staff.	This is in the current work schedule which means that all servers running supported OS will be removed from the network by the end of September.	Strategic ICT Partnership Manager.	30 September 2018.	This is a new addition. November 2018 - The council is now running supporting operating systems and software. IT also has ongoing plans to move off operating systems which will be going out of support in coming years. IT has automated patch management where possible, and where not these are manually applied by ICT staff. In general all staff need to know is when they need to reboot devices, so outside of ICT there is no requirement for staff to see or approve patch management procedures.	Partially implemented – continue to monitor.

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2018 TO MARCH 2019) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept
2017/18 Audit – Other (Final Reports Issued)	Mobile Device Management and BYOD (Draft Report Issued)	Emergency Planning (Final Report Issued)	Repairs and Voids Service (Follow up) (In Fieldwork)	Debt Recovery (In QR)	DFG Capital Grant Certification (Final Report Issued)
CSC Complaints Handling (Final Report Issued)	Data Quality (Final Report Issued)	TSS Improvement Plan Governance (b/f from Jan) (In QR)	Street Cleansing (Draft Report Issued)	GDPR – Post Implementation Review (Draft Report Issued)	Herts Home Improvement Agency (b/f from Feb) (In Fieldwork)
CCTV – joint internal audit (Final Report Issued)					Refurbishment Contract (In Planning)

Oct	Nov	Dec	Jan	Feb	Mar
Cash and Banking (b/f from Nov) (Draft Report Issued)	NDR (ToR Issued)	Housing Rents (Allocated)	Debtors (Allocated)	Corporate Governance (Allocated)	Risk Management (Allocated)
Council Tax (Draft Report Issued)	Treasury Management (In Planning)	Payroll (Allocated)	Creditors (Allocated)	Cyber Security (Allocated)	
Housing Benefits (In Fieldwork)	Anti-Social Behaviour (Deferred from May) (In Planning)	Digital - Connected to our Customers (Deferred from June) (ToR Issued)	Incident Management – Major Incident Review / IT Disaster Recovery Follow-up (Allocated)	Homelessness Reduction Act (Allocated)	
Housing Development Schemes (In Fieldwork)	Main Accounting System (Deferred from October) (Allocated)		Development Mgmt. (Deferred from Sept) (ToR Issued)	Land Charges (Deferred from August) (ToR Issued)	

APPENDIX D – ASSURANCE / PRIORITY LEVELS

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level			Definition
Corporate	Critical		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Service	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

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Meeting: **Audit Committee / Executive /
Council**

Portfolio Area: Resources

Date: **20 November / 21 November /
18 December 2018**



2018/19 MID YEAR TREASURY MANAGEMENT REVIEW

NON-KEY DECISION

Author – Anita Thomas Ext No. 2430

Contributors – Lee Busby Ext No. 2730

Lead Officer – Clare Fletcher Ext No. 2933

Contact Officer – Clare Fletcher Ext No. 2933

1. PURPOSE

1.1 To update members on the Treasury Management activities in 2018/19 and review effectiveness of the 2018/19 Treasury Management and Investment Strategy including the 2018/19 prudential and treasury indicators.

2. RECOMMENDATIONS

2.1 That subject to any comments from Executive and the Audit Committee, recommend to Council to approve the 2018/19 Treasury Management Mid-Year review.

2.2 That subject to any comments from Executive and the Audit Committee, recommend Council to approve the latest approved Countries for investments (paragraph 4.7.13 Appendix D).

2.3 That subject to any comments from Executive and the Audit Committee, recommend to Council that officers may undertake treasury management functions on behalf of Council wholly owned companies and or Council Limited Liability Partnership (LLP) subject to authorisation from the Board of Directors (see paragraph 4.7.12)

3. BACKGROUND

3.1 The Council is required under the Local Government Act 2003 to produce a Mid Year Treasury Management Report reviewing treasury management activities including the 2018/19 prudential and treasury indicators. In addition the report

meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). Both these documents were revised and updated in 2017. As from 2019/20 all local authorities will be required to prepare a Capital Strategy that provides:

- High level overview of how capital strategy, capital financing and treasury management activities contribute to council services,
- how the associated risk is managed,
- and implications for the future financial sustainability of the council.

Officers will be incorporating these elements into the 2019/20 Capital strategy to be approved by Council on 27 February 2019.

3.2. This report covers one of three reporting requirements under the code of practice, the other reports being;

- Annual Treasury Strategy (in advance of the year) (last reported to Council 28 February 2018)
- Annual Treasury Management Review after the year end (2017/18 was reported to Council 17 October 2018)

3.3 This report summarises:

- Capital expenditure for 2018/19;
- Impact of the expenditure on the Council's underlying indebtedness, (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rates currently available;
- Detailed debt and investment activity; and
- An economic update for the first part of 2018/19.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 The Council's Capital Expenditure and Financing 2018/19

4.1.1 Capital expenditure¹ can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts & capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash

¹ Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £5,000 in value and meets the guidelines laid out in CIPFA accounting practises.

balances held by the council (see also 4.2.2). The need to borrow is measured and reported through the prudential indicators.

4.1.2 The Treasury Strategy and Prudential Indicators for 2018/19 were originally approved by Council on the 28 February 2018. Since then, capital budget changes have been approved and the Prudential Indicators updated in the 2017/18 Annual Treasury Management Review (approved by Council on the 17 October 2018). The Treasury Management Mid-Year Review Indicators have been updated based on the 1st quarter capital programme reported to Executive (5 September 2018).

4.1.3 Table One (shown below) shows the original capital programme, the revised capital programme (approval Executive 5 September 2018) and financing.

Table One: 2018/19 Capital Expenditure and Financing		
	2018/19 Original Estimate £'000	2018/19 Revised Mid-Year Review (Executive September 2018) £'000
Capital Expenditure:		
General Fund Capital Expenditure	32,806	32,007
HRA Capital Expenditure	23,228	26,128
Total Capital Expenditure	56,033	58,135
• Capital Receipts	(9,601)	(10,303)
• Capital Grants / Contributions	(8,483)	(7,083)
• Capital Reserves	(1,748)	(1,648)
• Revenue contributions	(8,092)	(8,092)
• Major Repairs Reserve	(9,028)	(9,028)
Total Resources Available	(36,953)	(36,154)
Capital Expenditure Requiring Borrowing	(19,081)	(21,981)

4.2 The Council's overall borrowing position.

4.2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR)². Whether physical borrowing is taken out depends on the level of cash balances held by the Council. Based on the Capital Strategy and Treasury Management Strategy, the treasury service manages the Council's cash position to ensure sufficient cash is available to meet the capital payments. This may be through borrowing from utilising cash balances held by the Council in the short to medium term or external bodies

² Capital Financing Requirement (CFR) represents the amount of debt the Council needs to/has taken to fund the capital programme after debt repayments and Minimum Revenue Provision (MRP) are taken into account

(such as the Government, through the Public Works Loan Board (PWLB) or the money markets).

4.2.2 The Council has not undertaken any new physical borrowing as at 15 October 2018.

4.2.3 In 2018/19 the average cash holding between April and September was £64Million (£70.7Million April to September 2017/18). While investment returns are low the “internal” borrowing rate is significantly cheaper than the cost of external borrowing and remains a prudent use of the Council’s cash balances, unless the condition in para 4.3.1 apply.

4.2.4 As at the 30 September 2018 the Council had total external borrowing of £205,614,160 (projected to increase to £227,463,331 by 31 March 2019 if all approved borrowing is taken). When expenditure is incurred on the purchase of commercial property the decision to take out the remaining of approved borrowing (£15million) will be reviewed. To accelerate the purchase process, an agent has been appointed towards end of September and they have three months to seek opportunities which will take us to the end of December. In the meantime other purchase options are also currently being pursued.

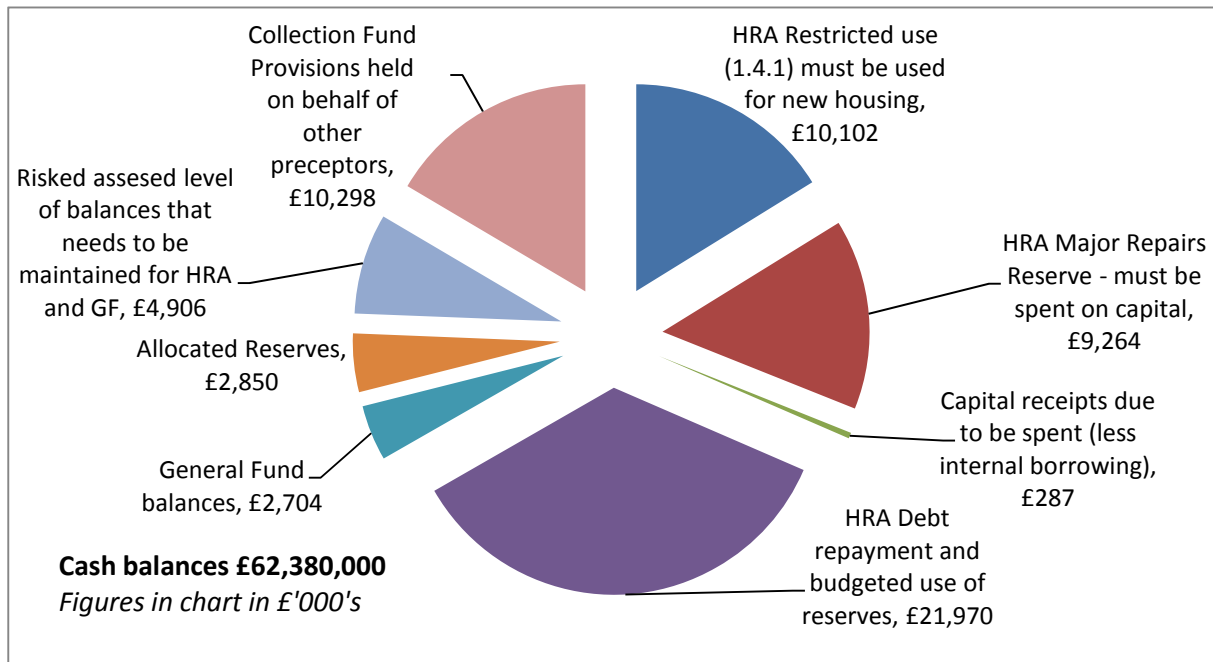
4.2.5 The General Fund has £2,940,160 external borrowing with the PWLB. The HRA has external borrowing of £202,674,000 with the PWLB, with the majority of the HRA debt (£194,911,000) taken out in March 2012 to finance the payment required to central government for self-financing. This debt was arranged over a number of loans at fixed rates and with varying maturities

4.2.6 The HRA borrowing includes £7,763,000 used to fund the pre 2012 decent homes programme. This debt was called ‘supported borrowing’ under the former HRA subsidy system but now forms part of the HRA debt portfolio. . The remaining difference between the HRA debt portfolio and CFR at 31 March 2019 is the result of asset transfers from General Fund to the HRA and HRA internal borrowing prior to self-financing.

4.2.7 HRA borrowing was constrained by legislation (unlike the General Fund) and was capped at £217,685,000. In the autumn budget statement it was confirmed that **the borrowing cap on local authorities with housing revenue accounts (HRA) will be abolished completely with immediate effect**. Going forward the constraint on HRA borrowing will be based on affordability rather than legislation. The approved prudential indicators contained within this report (operational boundary and authorised limit for borrowing (see paragraph 4.4.6)) are based on the HRA debt cap pre autumn statement. These limits will be reviewed and updated following approval of the HRA 2019/20 budget and the Capital Strategy.

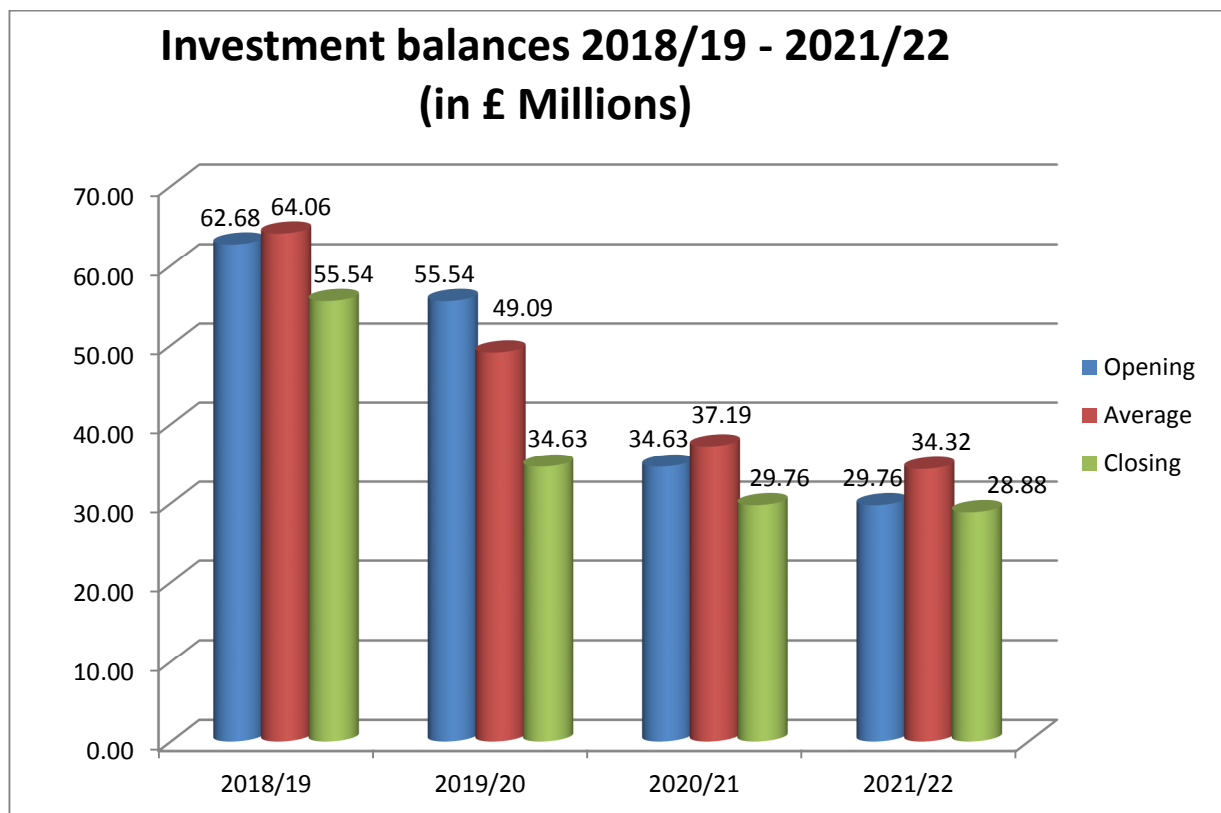
4.3 Cash balances and cash flow management

4.3.1 As at 1 April 2018 cash balances held by SBC totalled £62.4Million. As seen in the following pie chart most of these sums are held on behalf of other parties (Collection Fund – Hertfordshire County Council, Police and Central Government) or their use is restricted to capital projects which have already been identified.



4.3.2 Currently cash balances are estimated to be £55.5Million by 31 March 2019, but is dependent on current spending projections and approved borrowing included in the capital strategy and HRA business plan (General Fund - £15.581million and HRA - £6.4Million) for 2018/19. Decisions as to when this borrowing is actually taken will be considered based on cash balances and anticipated interest rates.

Chart One: Investment Balances forecast



4.4 Prudential Indicators

4.4.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (which affordability limits), are included in the approved Treasury Management Strategy and an update on those indicators is included in this report. During the year to 21 November 2018, the Council has operated within the treasury and prudential indicators set out in that strategy. Further explanation of key prudential indicators is given below and is also shown in Appendix A.

4.4.2 **Borrowing and the 2018/19 Capital Financing Requirement (CFR)** - The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The Council's original estimate and latest CFR for the year is shown below. The estimate of the CFR for 2018/19 has been updated for the capital strategy approved by Members (5 September 2018 Executive).

Table Two : Capital Financing Requirement 2018/19			
	2018/19 Original Estimate	2018/19 Revised Annual Treasury Management Review of 2017/18 (Approved Council October 2018)	2018/19 Revised Mid-Year Review (Executive November 2018)
CFR Calculation	£'000	£'000	£'000
Opening Balance	221,877	221,877	221,877
Closing Capital Financing Requirement (General Fund)	35,666	35,666	29,835
Closing Capital Financing Requirement (Housing Revenue Account)	208,709	208,709	211,857
Closing Balance	244,375	244,375	241,692
Increase/ (Decrease)	22,498	22,498	19,815

4.4.3 Total debt repayments made in the first half of 2018/19 relating to principle on PWLB GF loans were £131,579 (paid in August) and a repayment of £1,241,000 in respect of HRA debt in April 2018. A further repayment of £131,579 will be made in February 2019 in relation to General Fund debt.

4.4.4 The Council could further reduce its CFR by:

- The application of additional capital financing resources (such as unapplied capital receipts) if available; or
- Charging more than the statutory revenue charge (Minimum Revenue Provision (MRP)) each year through a Voluntary Revenue Provision (VRP) which would increase the cost to the General Fund.

4.4.5 The **net borrowing position** of the Council at 31 March 2019 is estimated to be **£173,344K** of borrowing (total borrowings/loans of £227,463K less total investments held of £54,119K).

4.4.6 The **operational boundary and authorised limit** refer to the borrowing limits within which the treasury team operate. A temporary breach of the operational boundary is permissible for short term cash flow purposes however a breach of the authorised limit would require a report to Council. To date there have been **no breaches** of either limit in 2018/19. Both limits have been updated to reflect approved borrowing for the HRA and debt cap and approved prudential borrowing for the General Fund (see also paragraph 4.2.7).

4.4.7 **Minimum Revenue Provision (MRP)**³ – In 2018/19 the MRP charged to the General Fund is £661,090, based on previous years' borrowing. At present the only borrowing included in this indicator relates to the ten year plan for the garages estate (£6.7million prudential borrowing over the period 2018/19 to 2020/21) and the investment property strategy (£13.24million in 2018/19 out of the £15M that was approved). MRP will need to be made regardless of whether actual external borrowing has been taken and hence differs from the treasury management arrangements, the latter considers utilising cash balances when borrowing rates are higher than investment interest rates (as in paragraph 4.2.2).

4.4.8 The **ratio of financing costs to net revenue stream** is equal to General Fund interest costs divided by the General Fund net revenue income from Council Tax and RSG/NDR. For 2018/19 this indicator has changed due to changes to MRP, re profiling of garages business plan and the revised capital programme figures are shown in Appendix A. In future years it increases due to approved borrowing for the investment property strategy which will contribute to General Fund financial security objectives.

4.4.9 The treasury management indicators for 2018/19 onwards have been calculated based on the 1st quarter capital programme reported to Executive 5 September 2018. There will be subsequent updates to the capital programme including the capital bidding process for the period 2019/20 to 2023/24 and as such the data relating to future years is indicative only and will be subject to change. The full list of Treasury Prudential Indicators is shown in Appendix A.

³ MRP- The Council must base its borrowing decisions in accordance with the Prudential Code which requires the Council to demonstrate a need to borrow and to show the cost of that borrowing for the General Fund is affordable. The Council's MRP policy, as required by CIPFA guidance, is approved annually by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years' borrowing requirement and the life of the assets for which borrowing was required.

4.5 Update on Treasury Management Strategy Position 2018/19

4.5.1 The Council's debt and investment position is managed by the treasury management section to ensure adequate liquidity for revenue and capital activities. In addition, investment decisions are based on the security of the investments and spread over a number of counter parties to manage the Council's exposure to risk.

4.5.2 The Council's **average investment returns** are modest due to historically low Bank of England Base Rate which is currently 0.75% (see also para 4.8.3) and the risk appetite in the treasury management strategy. As at 30 September 2018 the 2018/19 average rate of interest being earned on investments was 0.77% this compares to 0.58% earned in 2017/18. This exceeded the 7 day LIBID benchmark rate of 0.59% (source: LINK Asset Services 30-9-18).

4.5.3 While costs for loans of between eight and ten years are around 2.35-2.50% (as at 12 October 2018) it is still prudent to utilise the Council's cash balances (as shown in paragraph 4.2.3) for short-term internal borrowing. However, borrowing costs are forecast to increase and officers will be determining whether it may be prudent to take some borrowing at lower interest rates based on the forecast reduction of future cash balances. The decision and timing of when to borrow is being monitored by officers.

4.5.4 The Council's treasury position for the first half of year was as follows;

Table three Treasury Position 2018/19						
	30 Sep 2018 Principal £'000s	Rate / Return %	Average Life (Yrs)	31 Mar 2019 Principal £'000s	Rate / Return %	Average Life (Yrs)
Fixed rate loans - PWLb	205,614	3.37	15.53	205,482	3.37	15.53
Approved Prudential Borrowing	15,581	TBC	TBC	15,581	TBC	TBC
Approved HRA Borrowing	6,400	TBC	TBC	6,400	TBC	TBC
Total Borrowing	205,614	3.37	15.53	227,463	3.37	15.53
CFR				241,692		
Over/(under) borrowing*				(14,229)		
Investments Portfolio	69,450	0.54		54,119	0.54	

* financed by internal borrowing

4.5.5 The maturity structure of the debt portfolio was as follows (see also Appendix B):

Table four Maturity of Debt Portfolio for 2017/18 and 2018/19		
Time to maturity	31 March 2018 Actual £'000's	30 September 2018 Actual £'000's
Maturing within one year	3,004	263
1 year or more and less than 2 years	263	263
2 years or more and less than 5 years	790	658
5 years or more and less than 10 years	18,956	18,956
10 years or more	185,474	185,474
Total	208,487	205,614

4.5.6 There are seven investments with **maturities over one year** as detailed below:

Counterparty	Country	Rating	Deposit amount	Start date	Maturity on
Birmingham City Council	UK	AA	3,000,000	24/04/2017	24/04/2019
Spelthorne Borough Council	UK	AA	1,300,000	22/06/2017	21/06/2019
Newcastle upon Tyne City Council	UK	AA	1,000,000	03/04/2017	03/04/2020
London Borough of Barking and Dagenham	UK	AA	2,000,000	09/01/2017	09/04/2020
Lancashire County Council	UK	AA	2,300,000	06/09/2018	07/09/2020
Great Yarmouth BC	UK	AA	2,000,000	16/05/2018	17/05/2021
Barnsley Metropolitan Borough Council	UK	AA	2,700,000	15/09/2017	15/09/2021
			14,300,000		

All other investments held during the first half of 2018/19 are due to mature within one year. A summary of the Council's exposure to fixed and variable rate investments is shown below in Table Five. (See also Appendix B).

Table Five : Fixed and Variable Rate Investment Totals		
	31 March 2018 Actual £'000's	30 September 2018 Actual £'000's
Fixed rate principal	48,500	51,800
Variable rate principal	13,880	10,970
Total	62,380	62,770

4.5.7 The total limit on the amount invested in **Money Market Funds** was removed (Recommendation 2.5 Treasury Management Review including Prudential

Code – Council 28 Feb 2017) and no further Money Market funds have been added to the portfolio in 2018/19.

- 4.5.8 There have been **no breaches** of treasury **counter party limits**. Any breach would be notified to the Chief Finance Officer. There have been no pressures on counter party limits and no investments have been deposited with the DMO since October 2014 when Treasury Management limit changes were implemented.
- 4.5.9 The use of **enhanced cash funds** was also approved in February 2017. These funds are now referred to as “Ultra Short Dated Bond” (USDB) funds (Recommendation 2.7 Treasury Management Review including Prudential Code – Council 28 Feb 2017). Currently no investments have been made with USDB funds.
- 4.5.10 The updated list of “Approved Countries for Investments” is detailed in Appendix D.
- 4.5.11 Other Treasury Management Issues - **Money Market Fund Regulatory Change** The Money Market Fund sector is now in the last stages of introducing new regulations, expected to be finalised in early 2019. These will see existing non-government Constant Net Asset Value (CNAV) funds convert to Low Volatility Net Asset Value (LVNAV) pricing. Government-type funds will remain as “CNAV” funds under the new regulations. This change is not expected to impact on the existing treasury Management strategy.
- 4.5.12 As part of the Council regeneration programme and financial security objectives officers will be establishing special purpose vehicles (SPV) to deliver regeneration in the town and to improve the offer in the private rented sector. These SPV’s will include a Limited Liability partnership and wholly owned companies. As completely separate legal entities the board of Directors of the SPV will need to delegate authority for the treasury management function to the Council. This report seeks to gain approval from Members for officers to invest monies on behalf of the SPV’s subject to Director’s delegation. All sums invested on behalf of these SPV’s will be done in accordance with the Councils own treasury management policies.

4.6 Economic Review & Interest Rate Outlook

4.6.1 UK Growth

The first half of 2018/19 saw the UK economy grow modestly and the Monetary Policy Committee, (MPC) voted (9-0) to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will continue at around 1.5% in 2018, the Bank of England’s August Quarterly Inflation Report suggested that growth will pick up to 1.8% in 2019, caveated by whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

4.6.2 Inflation and Bank Rate

Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.5% to **2.7% in August** due to increases in

volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019. Should interest rates increase by 0.25% annual interest costs for the Council would rise by £2,500 for every £1million of new borrowing taken.

4.6.3 Wage inflation

Unemployment remains at a 43 year low at 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. Wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in **July of 3.1%**. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. The MPC views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy and hence its increase in Bank Rate in August.

4.6.4 Eurozone Economy

Eurozone growth has undershot early forecasts of a strong economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. For that reason, growth is expected to be in the region of 2% for 2018.

4.6.5 Brexit

There is continued uncertainty as to the outcome of Brexit negotiation and a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit in March 2019. If the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up. Treasury advisors do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. They also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, this cautious approach will be dependent on the Brexit negotiations.

5. IMPLICATIONS

5.1 Financial Implications

- 5.1.1 This report is of a financial nature and reviews the treasury management function for the 2018/19. Any consequential financial impacts of the Strategy will be incorporated into the Capital Strategy updates and subsequent Quarterly budget monitoring reports.

5.2 Legal Implications

- 5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy Indicators are intended to ensure that the Council complies with relevant legislation and best practice.

5.3 Risk Implications

- 5.3.1 The current policy of not borrowing externally only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. Should these conditions change the Council may need to borrow at higher rates which would increase revenue costs.
- 5.3.2 There is continued uncertainty regarding Brexit negotiations and the possibility of a “no deal” exit. SBC’s approach to Brexit is that it is treated as a business continuity issue with appropriate cross-checking carried out with other members of the Hertfordshire Resilience Forum.

5.4 Equalities and Diversity Implications

- 5.4.1 This purpose of this report is to review the implementation of the Treasury management policy in 2018/19. Before investments are placed with counter parties the Council has the discretion not to invest with counter parties where there are concerns over sovereign nations’ human rights issues.
- 5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

BACKGROUND DOCUMENTS

BD1 Prudential Code Indicators and Treasury Management Strategy 2018/19 (28 February 2018 Council)

BD2 Annual Treasury Management Review of 2018/19 (28 February 2018 Council)

6 APPENDICES

- Appendix A – Prudential Indicators for Mid Year Review.
- Appendix B – Investment and Loan Portfolios
- Appendix C – Specified & Non-Specified Investment Criteria
- Appendix D – Approved Countries for Investments

Appendix A		2018/19 Treasury Management Strategy - Mid year review				
Treasury Management Prudential Indicators						
	2017/18	2018/19	2018/19	2018/19	2019/20	2020/21
Capital Expenditure (Based on Q1 Capital report September 2018):			Revised September 2018 (TM report)	Revised Mid year review 18-19	Revised Mid year review 18-19	Revised Mid year review 18-19
	Actual	Original February 2018				
	£000	£000	£000	£000	£000	£000
General Fund	9,013	21,708	32,007	32,007	17,544	3,784
HRA	17,022	31,355	26,128	26,128	44,744	31,439
Total	26,035	53,063	58,135	58,135	52,148	35,409
	2017/18	2018/19	2018/19	2018/19	2019/20	2020/21
Ratio of financing costs to net revenue stream:			Revised September 2018 (TM report)	Revised Mid year review 18-19	Revised Mid year review 18-19	Revised Mid year review 18-19
	Actual	Original February 2018				
	%	%	%	%	%	%
General Fund Capital Expenditure	6.91%	14.22%	14.22%	9.34%	15.32%	15.13%
HRA Capital Expenditure	15.61%	16.94%	16.94%	16.94%	16.72%	16.16%
General Fund: Net revenue stream is the RSG, NNDR grant and Council Tax raised for the year.						
HRA: The net revenue stream is the total HRA income shown in the Council's accounts from received rents, service charges and other incomes. The ratio of financing costs to net revenue stream reflects the high level of debt as a result of self financing.						
	2017/18	2018/19	2018/19	2018/19	2019/20	2020/21
Authorised Limit for external debt			Revised September 2018 (TM report)	Revised Mid year review 18-19	Revised Mid year review 18-19	Revised Mid year review 18-19
	Actual	Revised February 2018				
	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	33,971	40,666	40,666	40,666	42,251	43,103
Borrowing - HRA	217,655	217,655	217,655	217,685	217,685	217,685
Total	251,625	258,321	258,321	258,351	259,906	260,758
The authorised limit in that it is the level up to which the Council may borrow without getting further approval from Full Council. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The authorised limit allows for £9m headroom, which is in addition to our capital plans.						
	2017/18	2018/19	2018/19	2018/19	2019/20	2020/21
Operational Boundary for external debt			Revised September 2018 (TM report)	Revised Mid year review 18-19	Revised February 2018	Revised February 2018
	Actual	Revised February 2018				
	£000	£000		£000	£000	£000
Borrowing - General Fund	31,471	38,166	38,166	38,166	39,751	40,603
Borrowing - HRA	211,209	211,209	211,209	211,209	211,209	211,209
Total	242,680	249,376	249,375	249,375	250,961	251,812
The operational boundary differs from the authorised limit in that it is the level up to which the Council expects to have to borrow. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The operational boundary allows for £1m headroom in addition to our capital plans.						
	31/03/2018	31/03/2019	31/03/2019	31/03/2019	31/03/2020	31/03/2021
Gross & Net Debt			Revised September 2018 (TM report)	Revised September 2018 (TM report)	Revised February 2018	Revised February 2018
	Actual	Revised February 2018				
	£000	£000	£000	£000	£000	£000
Gross External Debt - General Fund	4,572	18,389	18,389	18,390	20,692	22,284
Gross External Debt - HRA	203,915	206,174	206,174	209,074	206,174	206,174
Gross External Debt	208,487	224,563	224,563	227,464	226,866	228,458
Less Investments	(62,380)	(45,563)	(45,563)	(54,119)	(37,038)	(31,479)
Net Borrowing	146,107	179,000	179,000	173,345	189,828	196,979
The Gross External Debt is the actual debt taken out by the Council plus any relevant long term liabilities. The Gross External Debt should not exceed the Operational Boundary						
The Net Borrowing is defined as gross external debt less investments. The net borrowing requirement may not, except in the short term, exceed the total capital financing requirement in the preceding year, plus the estimates of any additional financing.						
	31/03/2018	31/03/2019	31/03/2019	31/03/2019	31/03/2020	31/03/2021
Capital Financing Requirement			Revised September 2018 (TM report)	Revised Mid year review 18-19	Revised February 2018	Revised February 2018
	Actual	Revised February 2018				
	£000	£000	£000	£000	£000	£000
Capital Financing Requirement GF	15,623	35,666	35,666	29,835	37,251	38,103
Capital Financing Requirement HRA	206,253	208,709	208,709	211,857	208,709	208,709
Total Capital Financing Requirement	221,876	244,376	244,376	241,692	245,961	246,812
The Capital Financing Requirement (CFR) reflects the amount of money the Council would need to borrow to fund it's capital programme. This is split between the Housing Revenue Account CFR (HRACFR) and the General Fund CFR (GFCFR).						

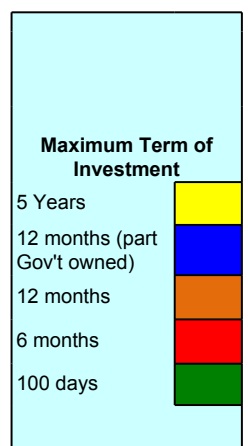
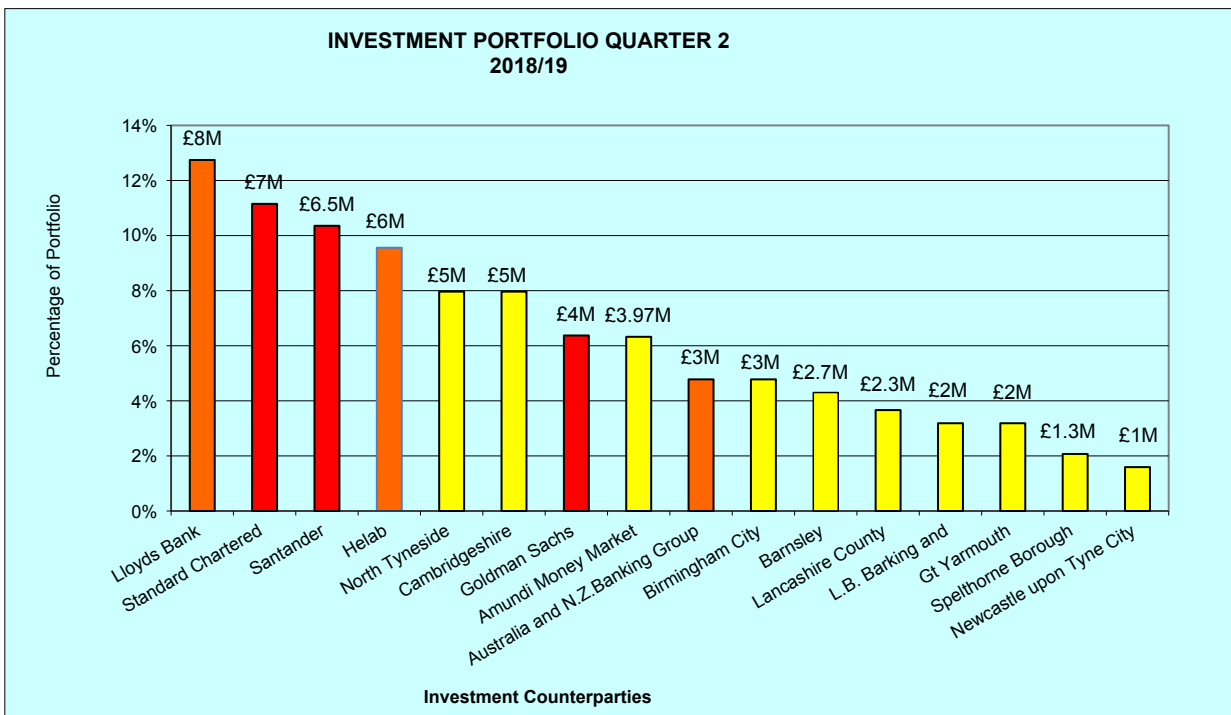
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INVESTMENT PORTFOLIO QUARTER 2 (30th September 2018)

Appendix B

Average interest rate for 2017/18 0.58%
 Average Investment Rate Sept 2018 0.77%
 Bank of England Bank Rate 0.75%
 (Bank Rate Increased 2 Aug 2018 from 0.50%)

Borrower	Nation	Sovereign Rating (Fitch)	Amount £'s	From	To	Rate %
Money Market Funds (Instant Access)						
Amundi	UK	AA	3,970,000			0.70
95 Day Notice						
Standard Chartered Bank	UK	AA	7,000,000			1.01
Fixed Term Deposit						
Helaba	GER	AAA	2,000,000	10/01/18	10/10/18	0.71
Goldman Sachs International	UK	AA	1,700,000	19/04/18	19/10/18	0.98
Lloyds Bank plc	UK	AA	5,000,000	24/11/17	23/11/18	0.90
North Tyneside Metropolitan Borough Council	UK	AA	5,000,000	18/12/17	17/12/18	0.75
Santander UK	UK	AA	3,500,000	21/06/18	20/12/18	0.80
Santander UK	UK	AA	3,000,000	02/07/18	02/01/19	0.80
Goldman Sachs International	UK	AA	2,300,000	17/07/18	17/01/19	0.90
Lloyds Bank plc	UK	AA	3,000,000	24/01/18	23/01/19	0.85
Australia and New Zealand Banking Group	AUS	AAA	3,000,000	24/05/18	25/02/19	0.82
Birmingham City Council	UK	AA	3,000,000	24/04/17	24/04/19	0.80
Spelthorne Borough Council	UK	AA	1,300,000	22/06/17	21/06/19	0.70
Helaba	UK	AA	4,000,000	14/08/18	13/08/19	0.97
Cambridgeshire C.C.	UK	AA	5,000,000	11/09/18	10/09/19	1.05
Newcastle upon Tyne City Council	UK	AA	1,000,000	03/04/17	03/04/20	1.00
London Borough of Barking and Dagenham	UK	AA	2,000,000	09/01/17	09/04/20	0.98
Lancashire County Council	UK	AA	2,300,000	06/09/18	07/09/20	1.20
Gt Yarmouth BC	UK	AA	2,000,000	16/05/18	17/05/21	1.45
Barnsley Metropolitan Borough Council	UK	AA	2,700,000	15/09/17	15/09/21	0.98
			62,770,000			



LOAN PORTFOLIO QUARTER 1 (30th September 2018)

Decent Homes Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	4.75	2,000,000	04/03/2010	04/03/2035	25 years
PWLB	Fixed Rate/Maturity	4.28	1,800,000	25/05/2010	25/05/2035	25 years
PWLB	Fixed Rate/Maturity	4.24	963,000	17/08/2010	17/08/2035	25 years
PWLB	Fixed Rate/Maturity	4.65	3,000,000	25/03/2010	25/09/2035	25 1/2 years
			7,763,000			

Self Financing Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	2.92	500,000	28/03/2012	28/03/2026	14 years
PWLB	Fixed Rate/Maturity	3.01	8,000,000	28/03/2012	28/03/2027	15 years
PWLB	Fixed Rate/Maturity	3.08	8,700,000	28/03/2012	28/03/2028	16 years
PWLB	Fixed Rate/Maturity	3.15	9,600,000	28/03/2012	28/03/2029	17 years
PWLB	Fixed Rate/Maturity	3.21	10,600,000	28/03/2012	28/03/2030	18 years
PWLB	Fixed Rate/Maturity	3.26	11,000,000	28/03/2012	28/03/2031	19 years
PWLB	Fixed Rate/Maturity	3.30	16,000,000	28/03/2012	28/03/2032	20 years
PWLB	Fixed Rate/Maturity	3.34	17,500,000	28/03/2012	28/03/2033	21 years
PWLB	Fixed Rate/Maturity	3.37	17,600,000	28/03/2012	28/03/2034	22 years
PWLB	Fixed Rate/Maturity	3.40	17,300,000	28/03/2012	28/03/2035	23 years
PWLB	Fixed Rate/Maturity	3.42	15,300,000	28/03/2012	28/03/2036	24 years
PWLB	Fixed Rate/Maturity	3.44	21,000,000	28/03/2012	28/03/2037	25 years
PWLB	Fixed Rate/Maturity	3.46	18,200,000	28/03/2012	28/03/2038	26 years
PWLB	Fixed Rate/Maturity	3.47	19,611,000	28/03/2012	28/03/2039	27 years
PWLB	Fixed Rate/Maturity	3.48	4,000,000	28/03/2012	28/03/2040	28 years
			194,911,000			

Prudential Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/EIP	2.37	1,184,211	19/08/2013	19/02/2022	9 1/2 years
PWLB	Fixed Rate	2.29	1,755,950	19/03/2018	19/03/2028	10 years
			2,940,161			

Total Borrowing

205,614,161

Appendix C
Specified and Non-specified Investment Criteria
(including Treasury Limits and Procedures)

TM Review Update

Table 1

Specified Investments are sterling denominated with maturities up to maximum of one year and must meet the following minimum high credit quality criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Overnight Deposit	Fitch: Short Term F1 and Long Term A and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different OR Part-nationalised or Nationalised UK banking institutions (subject to regular reviews of government share percentage).	Maximum duration as per Treasury Advisor's (Capita's) colour coded Credit List, and less than one year
	Notice Account		
	Short Term Deposit		
Debt Management Office or UK Local Authority	Any deposit	No limit.	
Money Market Funds	Instant Access	AAA rated	Instant Access

Table 2

Non-Specified Investment are sterling denominated with a maturity longer than one year but no longer than five years, and must meet the following criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Any deposits with maturity up to a maximum of five years	Fitch: Short Term F1+ and Long Term AA- and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different	Maximum duration suggested by Treasury Advisor's (Capita's) colour coded Credit List, and not in excess of five years
Debt Management Office or UK Local Authority		No Limit.	

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Table 3 **Treasury Limits**

Investment Instrument	Cash balances less than £30Million	Cash balances higher than £30Million
	Limits	Limits
Variable Rate Investments (Excluding Enhanced Cash Funds)	Maximum holding £30M	Maximum holding 100%
Counterparty limits (to encompass all forms of investment)	Maximum £5M	Maximum £8M
Instant Access Or Overnight Deposit	Maximum holding 100%	
Fixed Rate less than 12 month maturity	Maximum holding 100%	
Fixed Rate more than 12 months to maturity (includes all types of Fixed Rate Investments i.e. Certificates of Deposits)	Maximum £5M	Maximum £10M
Money Market Funds - Traditional Instant Assess (Counterparty Limit per Fund)	Maximum £5M per MMF	Maximum £8M per MMF
	No limit on total cash held	
Enhanced Cash Funds	Maximum £3M	
Certificates of Deposits	Maximum £5M	
Property Funds	Maximum of £3M - No durational limit. Use would be subject to consultation and approval	

Procedures of Applying the Criteria and Limits	
	Before the Treasury Team makes an investment, the Team will follow the follow procedure to ensure full compliance with the Specified and Non-Specified Criteria and Treasury Limits:
1	Check that the Counterparty is on the Counterparty List (also known as Current Counterparty Report for Stevenage) produced by Link Asset Services (LAS), specifically meeting the Council's Specified and Non-specified Minimum High Credit Quality Criteria in the above Table 1 & 2. If it is not on the list, the Treasury Team will not invest with them.
2	If the Counterparty is on the list, then the Treasury Team refers to the Credit List produced by LAS in colour coding, to determine the maximum investment duration suggested for the deposit, as per the column of Suggested Duration (CDS Adjusted with manual override).
3	Refer to the Treasury Limits in the above Table 3 to ensure the amount invested complies with the Treasury Limits.

APPENDIX D: Approved Countries (with Approved counterparties) for Investments (October 2018)

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland
- U.S.A.

AA+

- Finland

AA

- United Arab Emirates
- France

AA-

- Belgium
- Qatar

The UK is exempt from the sovereign rating criteria as recommended by Link Asset Services

The above list includes the possible countries the Council may invest with. Not all of these countries are used or will be used in treasury management investments

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