

# Public Document Pack



## AUDIT COMMITTEE

Date: Wednesday, 8 September 2021

Time: 6.00pm,

Location: Council Chamber, Daneshill House, Danestrete, Stevenage

Contact: Ramin Shams (01438) 242308

committees@stevenage.gov.uk

Members: Councillors: T Callaghan (Chair), J Gardner (Vice-Chair), M Arceno, Ashley-Wren, S Booth, G Lawrence, N Leech, M McKay, C Parris, L Rossati and Gibbs (Independent Non-voting Co-opted Member)

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## AGENDA

### PART 1

#### 1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

#### 2. MINUTES - 8 JUNE 2021

To approve as a correct record the Minutes of the meeting of the Audit Committee held on 8 June 2021.

Pages 3 – 6

#### 3. EXTERNAL AUDIT OF SBC ACCOUNTS 2019/20 - PROGRESS REPORT

To receive a verbal update from Ernst & Young regarding progress on completion of the 2019/20 external audit of SBC Accounts.

(Verbal Report)

#### 4. SHARED ANTI-FRAUD SERVICE (SAFS) ANNUAL REPORT 2020/21

To consider the SAFS Annual Report 2020/21.

Pages 7 – 28

#### 5. SHARED ANTI-FRAUD SERVICE (SAFS) ANTI-FRAUD PLAN 2021/22 - PROGRESS

To receive a verbal progress report from the SAFS Anti-Fraud Manager in respect of the SAFS Anti-Fraud Plan 2021/22.

(Verbal Report)

**6. SIAS INTERNAL AUDIT PLAN 2021/22 - PROGRESS REPORT**

To consider a progress report on the 2021/22 Internal Audit Plan.

Pages 29 – 42

**7. ANNUAL TREASURY MANAGEMENT STRATEGY - REVIEW OF 2020/21**

To consider the Annual Treasury Management Strategy including Prudential Code Indicators 2020/21.

Pages 43 – 64

**8. URGENT PART 1 BUSINESS**

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

**9. 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.

**10. PART II MINUTES - AUDIT COMMITTEE - 8 JUNE 2021**

To approve as a correct record the Part II Minutes of the meeting of the Audit Committee held on 8 June 2021.

Pages 65 - 66

**11. STRATEGIC RISK REGISTER**

To note the latest Strategic Risk Register for Stevenage Borough Council and developments on risk management issues.

Pages 67 – 104

**12. URGENT PART II BUSINESS**

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

**NOTE: Links to Part 1 Background Documents are shown on the last page of the individual report, where this is not the case they may be viewed by using the following link to agendas for Executive meetings and then opening the agenda for Wednesday, 8 September 2021 –**

**<http://www.stevenage.gov.uk/have-your-say/council-meetings/161153/>**

## STEVENAGE BOROUGH COUNCIL

### AUDIT COMMITTEE MINUTES

Date: Tuesday, 8 June 2021

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

**Present:** Councillors: Teresa Callaghan (Chair), Myla Arceno, Julie Ashley-Wren, Stephen Booth, Graham Lawrence, Nick Leech, Maureen McKay, Claire Parris and Loraine Rossati and Mr Geoffrey Gibbs (Independent Non-Voting Member).

**Start / End Time:** Start Time: 6.00pm  
End Time: 7.37pm

#### 1 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies were received from Councillor John Gardner.

There were no declarations of interest.

#### 2 **ELECTION OF VICE-CHAIR**

It was proposed and seconded that Councillor John Gardner be appointed as a Vice-Chair for the Committee for the Municipal year 2021/22.

#### 3 **MINUTES - 24 MARCH 2021**

It was **RESOLVED** that the minutes of the Audit Committee meeting held on Wednesday 24 March 2021 be approved as a correct record and signed by the Chair.

#### 4 **TERMS OF REFERENCE**

The Committee noted the Terms of Reference.

#### 5 **2019/20 EXTERNAL AUDIT OF SBC ACCOUNTS - PROGRESS**

Robert Garnett from Ernest & Young (E&Y) provided an update to Members on the External Audit of accounts for 2019/2020. He advised Members that the Audit of accounts for 2019/20 had not been concluded yet. He explained that he was liaising closely with the Council officers to reach a conclusion.

He informed Members that there were several areas being reviewed, such as Asset Valuations, Capital and financial statements, and that it was a complicated matter.

The independent co-opted Member Geoffrey Gibbs was concerned that the delay

had put pressure on the staff and on the budget, and further delay could put the Council's reputation in question.

Strategic Director (CF) explained that Covid-19 had impacted upon the service, however, progress had been made, and officers were working together with E&Y to bring this to a conclusion and present it to the Committee.

It was **RESOLVED**:

- That the verbal update on External Audit accounts for 2019/20 be noted.

## 6 **ANNUAL ASSURANCE STATEMENT AND ANNUAL REPORT 2020/21**

The SIAS Client Audit Manager updated Members on the Annual Assurance Statement and on the Internal Audit Annual Report for 2020/21. He advised Members that based on the internal audit work undertaken for 2020/21; the overall opinion on financial systems and non-financial systems was of satisfactory assurance. He explained that the Progress report contained the summary of work currently being undertaken by the Shared Internal Audit Service.

The following was outlined for Members of the Audit Committee:

- Overview of the Internal Audit Activity for 2020/21;
- Performance of the Internal Audit Service in 2020/21; targets dates were met;
- The SIAS Audit Charter annual review did not result in any fundamental changes;
- The external quality assessment started and would take approximately two weeks and the report would be presented to SIAS Board meeting on 23 June 2021;
- The targets set by the SIAS Board for the internal Audit performance 2020/21, were largely met and were positive.

Members were assured on card payment compliance. The Council reviewed different ways of accepting payment and where it could, would encourage automatic payments. The Council was currently looking to replace the software system for payments and join East Herts Council for a shared service.

In response to a question, the SIAS Client Audit Manager advised Members that the Council's strategic Covid19 response was scheduled for 2021/22 Audit Plan. The audit would cover pandemic related areas, such as business rate. Members would be presented with the outcome.

It was **RESOLVED**:

- That the Annual Assurance Statement for the Internal Audit Annual Report for 2020/21 be noted.
- That the result of the self-assessment required by the Public Sector Internal Audit Standards be noted.

- That the SIAS Audit Charter be approved.
- That the scope and resources for internal audit were not subject to inappropriate limitations in 2020/21.

## 7 **ANNUAL GOVERNANCE STATEMENT 2020/21 AND LOCAL CODE OF CORPORATE GOVERNANCE**

The Senior Performance and Resilience Officer presented Annual Governance Statement and Local Code of Corporate Governance for 2020/21. She advised Members on the content of the Annual Governance Statement for 2020/21 and on the changes to the Council's Local Code of Corporate Governance.

As a result of Covid-19, the timeline for draft Statement of Accounts and Annual Governance Statement for 2020/21 publication was extended. She explained that it would now be published by the end of July, subject to any further changes and recommendations by the Committee. It would be approved by the Statement of Account Committee in due course.

The planned improvement activity for Annual Governance Statement for 2021/22 were summarised in the officer report. Eight actions were carried over from 2020/21, although there had been activities taken place on those actions, but because of their nature, they were long standing items which would be resolved in a slower pace. Four new actions have been identified, including the Transformation Programme.

She further explained that the Local Code of Corporate Governance had recently been reviewed and was not significantly changed. She provided the following updates on Local Code of Corporate Governance:

- Addition of the New Anti-Bribery Policy and new Anti-Money Laundering Policy;
- Deletion of reference to Community Strategy;
- Inclusion of reference to the Council's Co-operative inclusive Economy Charter, reference to Statement of Community Involvement;
- Added new shared procurement Service with East Herts District Council and Hertsmere Borough Council;
- Inclusion of reference to Co-operative and Insourcing Strategy and reference to Council's Health and Safety governance structure.

In response to series of questions, the Strategic Director (CF) and Senior Performance and Resilience Officer provided the following responses:

- Statement of Community involvement was a statutory requirement and was not linked to the Community Strategy;
- The work for the Residents Survey was currently undertaken, and would be carried out by an external organisation;
- The Council House Survey and the Residents Survey would be carried out together;
- Both surveys would be promoted through social and printed media.

The Senior Performance and Resilience Officer advised Members that key performance indicators and outcomes were reported quarterly to Executive meetings and overview of the Audit Committee was also taken in to account.

It was **RESOLVED**:

- That the changes to the Council's Local Code of Corporate Governance be approved.
- That the Annual Governance Statement be recommended by the Audit Committee to the Statement of Accounts Committee.

8 **URGENT PART I BUSINESS**

None.

9 **EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED**:

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 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. That 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.

10 **PART II MINUTES - AUDIT COMMITTEE - 24 MARCH 2021**

Noted.

11 **STRATEGIC RISK REGISTER**

The Senior Performance and Resilience Officer provided an update in relation to the Strategic Risk Register.

It was **RESOLVED**:

- That the latest Strategic Risk Register be noted.
- That the development on risk management issues be noted.

12 **URGENT PART II BUSINESS**

None.

**CHAIR**



## Stevenage Borough Council

### Anti-Fraud Report 2020/21

#### Recommendation

Members are recommended to:

- Review the Councils work to combat fraud in 2020/21
- Review the performance of SAFS in meeting its KPIs in 2020/21

## **Contents**

- 1 Introduction and Background**
- 2 Delivery of the 2020/21 Anti-Fraud Plan**
- 3 SAFS Performance and KPIs**
- 4 Transparency Code- Fraud Data**
- 5 Further Reading- Reports and data**

## **Appendices**

- A. Anti-Fraud Plan 2020/21

## 1 Introduction and Background

### Introduction

This report provides details of the work undertaken to protect the Council against the threat of fraud as laid out in the Council's Anti-Fraud Action plan for 2020/21. The Committee are asked to note this work.

A number of recent reports about fraud in the public sector have been provided to officers and are used by SAFS to ensure that the Council is kept aware of its fraud risks finding ways to mitigate or manage these wherever possible. Details of these reports and other recommended reading for Committee members can be found at **Section 5** of this report.

### Background

According to reports from CIPFA, National Audit Office (NAO), 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.

The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have 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 vigilance in recognising fraud risks and the investment of sufficient resources in counter fraud activities.

It is essential that 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.

Stevenage Borough Council is a founding partner of the Shared Anti-Fraud Service (SAFS). Members of this committee have received reports about how this service works closely with the Shared Internal Audit Service (SIAS) dealing with all aspects of fraud from prevention and deterrence to investigation and prosecution working with services and staff at all levels.

## 2. SAFS Activity 2020/21 & Delivery of the 2020/21 Anti-Fraud Plan

### The Plan

2.1 This committee reviewed and commented on the Councils Anti-Fraud Plan for 2020/21 at its meeting in March 2020. A copy of the Plan can be found at **Appendix A**.

2.2 The plan was proposed by SAFS and agreed and approved by senior officers within the Council. Delivery of the plan is a partnership between Council

officers with key roles, and SAFS providing expertise and operational support where required. The Plan was developed at the time of the emerging Covid pandemic in March 2020. Although some 'delivery methods' and activity were reviewed a decision was made to keep the plan much as it was, focused on raising awareness and the prevention of fraud.

- 2.3 We are very pleased to report that all actions proposed for the 2020/21 Anti-Fraud Plan commenced in year with the vast majority being completed in-year. Where actions were in-complete they have been carried forward into the current years (2021/22) plan, details of which was shared with this Committee in March 2021.

#### Staffing

- 2.3 In 2020/21 the SAFS Team was composed of 18 accredited and fully trained counter fraud staff based at the county council offices in Stevenage.
- 2.4 Each SAFS partner receives dedicated support by the allocation of officers to work primarily with that Council whilst allowing all officers to work with different partners from time to time. Providing the service in this manner allows SAFS officers to develop good working relationships with council staff whilst providing resilience and flexibility across the partnership as a whole.
- 2.5 In 2020/21 SAFS deployed one member of staff to work for the Council and also seconded the Councils Tenancy Fraud Investigator into SAFS in the summer of 2020. These officers are supported by SAFS management & intelligence team, a Data-Analyst and an Accredited Financial Investigator. In all this provided at least 2.5 FTE staff to support the Council with all anti-fraud /bribery/ corruption/ money laundering matters. SAFS officers have access to Council offices, officers and systems to conduct their work

#### Fraud Awareness and Reported Fraud

- 2.6 A key objective for the Council is to enhance the existing anti-fraud culture; ensuring senior managers and members consider the risk of fraud when developing policies or processes; helping to prevent fraud occurring; deterring potential fraud through external communication; encouraging all officers to report fraud where it is suspected; and providing public confidence in the Councils stance on fraud and corruption.
- 2.7 The Councils legal team and senior managers began a review all anti-fraud and corruption policies in 2020, including those on anti-bribery and anti-money laundering, taking into account the latest best practice and guidance. The final versions of these policies will be published in 2021.

- 2.8 The Council's website includes pages on how fraud affects the Council [Reporting Fraud \(stevenage.gov.uk\)](#) The website has links for the public to report fraud and to the SAFS webpage. The SAFS webpage in turn provides further information on fraud, the latest news stories as well as options for the public to report fraud [Shared Anti-Fraud Service | Hertfordshire County Council](#).
- 2.9 Working with the Councils HR team SAFS have further developed its anti-fraud and corruption e-training package and completion of this training is mandatory requirement for all staff including new starters
- 2.10 During 2020/21 SAFS received 119 allegations of fraud (referrals) affecting Council services.

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

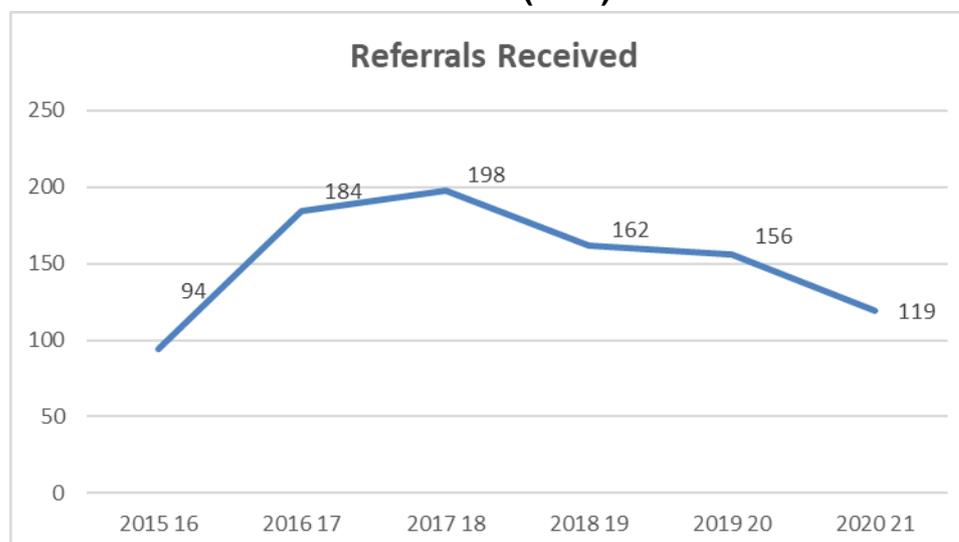
Council Tax Discount/ Housing Benefit	Housing	Blue Badge	NNDR/ Grants	Other	Total
85	19	3	8	4	119

**Table 2. Who is reporting Fraud**

Fraud Reported by Staff	Reports from Public	Data-Matching/ Proactive Investigations	Other 'Agency'	Total
40	68	11	0	119

- 2.11 The volume of reported fraud in 2020/21 decline from previous years. Fraud suspected by staff continues to decrease and last year in particular this may have been linked to staff working from home in response to the Covid pandemic. SAFS regularly review this data to see if there are any trends or concerns for reporting rates, this is shared with officers and used to develop awareness/publicity campaigns locally.

**Table 3. Historic Fraud Referrals (SBC)**



2.12 In the first half of 2020 fraud referrals from members of the public also dropped considerably, almost certainly as a result of the pandemic and national lockdowns. Working with the Councils communication and IT teams, along with other SAFS Partners, two fraud awareness/ publicity campaigns were launched in 2020.

The first, delivered in August, titled *#Fraudsters-aren't-on-Furlough* asked for the public's support to report fraud against the Council where they suspected it.

The second, launched as part of the *International Fraud Awareness Week* in November 2020, thanked the public for their support in previous campaigns and provided feedback on successes from these campaigns whilst reminding everyone to be vigilant about their own on-line safety. Both campaigns used social media for delivery.

**Case study 1:**

*Social Media Campaign- August 2020- 'Fraudsters Aren't on Furlough'*



*7 Day campaign*

*Residents reached: 353,411 (Herts wide)*

*Link clicks (to SAFS homepage): 741- normally we have around 100 hits a week,*

*Referrals: 50 in a week - normally we receive between 20 and 25 on average.*

2.13 In 2020/21 SAFS issued fraud alerts on 31 occasions. These alerts covered areas such as the vulnerability to cybercrime for home working staff, new and emerging scams and spams, impersonation or CEO frauds and the increased threat of fraud caused by the local the national response to the Covid pandemic.

SAFS receives daily/weekly updates on new threats from a variety of sources including National Anti-Fraud Network (NAFN), National Cyber Security Centre (NCSC) City of London Police & National Fraud Intelligence Bureau (national lead on fraud and cyber-crime for policing and part of Action Fraud), London

Fraud Forum (LFF), Credit Industry Fraud Avoidance Service (CIFAS), CIPFA, Hertfordshire Police (OWL, Neighbourhood Watch, BEACON-Hub) and Hertfordshire Trading Standards.

Investigation and Prevention Activity

2.14 At the time of writing many cases raised for investigation are still subject to investigation. However, of 38 cases investigated and closed in the year 25 identified fraud losses/savings totalling £195,000. In a further 25 cases of alleged low value fraud (where no investigation commenced) compliance action, advice or warning letters were issued rather than full investigations. At year end 41 cases remained under investigation with an estimated fraud loss of £457,000.

**Table 4. Fraud Investigations Closed by Year (SBC)**



2.15 SAFS ability to conduct investigations in 2020/21 was severely hampered by the decision to work wholly from home in response to the Government lockdowns from March 2020. Although the service was in an excellent position to work from home, as the IT infrastructure and working practices were already in place, the impact on our work resulted from the restrictions when working with others.

- The DWP Fraud and Error Service, who we work with on many cases, redeployed all fraud staff to frontline delivery of Universal Credit.
- We were hampered in accessing the data held by our Partner Councils where we did not have remote access to systems- we have now improved our remote access to many Council systems.
- Council staff were focused on the local responses to the Covid pandemic and we saw 'business as usual' fraud reporting decline.
- We were unable to interview witnesses or the subjects of investigations due to the ongoing lock-down restrictions.

- The courts (dealing with civil and criminal matters) were closed for all but the most serious matters.

2.16 During the pandemic we also felt that SAFS role around prevention should be increased and use of sanctions suspended as they might be counterproductive. A decision was made to deal with as most low-level fraud by advisory or compliance letters to customers. Dealing with serious fraud or that needing immediate attention would be prioritised. Where cases met this threshold but, could not be dealt with quickly, these were 'overloaded' for review post lockdown.

**Case study 2:**

Subletting / Council tax reduction (CTRS) Housing benefit (HB) Single person discount (SPD)

*Allegation received from an anonymous source stating that a tenant had been subletting their council property at Newton Road for the past 12 years whilst residing at another address.*

*Since 2000 the tenant had been in receipt of HB and CTRS at the Newton Road address. The occupier of the second address where the tenant was alleged to have been living with was also in receipt of HB – CTRS – SPD, neither person had disclosed changes in circumstances to the Councils benefit or housing departments*

*In January 2020 the tenant of Newton Road applied to succeed the tenancy at the second address, as the tenant at that address had passed away, declaring that he had lived at that address since May 2006.*

*Evidence obtained by SFAS placed the tenant at the second address from 2006, and that the property at Newton Road had been sublet for some years.*

*The property at Newton road was returned to housing stock. A report was provided Councils benefit team. All benefits paid since 2006 were cancelled and the sums are being recovered from the tenant.*

2.17 SAFS provided support with all the Grants schemes administered by Council officers, as well as undertaking data-cleansing exercises providing pre and post payment assurance.

SAFS also provided guidance to the NNDR Team on the services provided by NAFN, CIFAS and the Cabinet Office. SAFS conducted several investigations where fraudulent applications for grants appeared to have been made and worked closely with Council officers to resolve these.

2.18 SAFS provided enhanced and frequent 'fraud alerts' regarding mandate / phishing frauds from national bodies including Cabinet Office, CIFAS/CIPFA/NFIB, Police and NAFN. SAFS continue to provide alerts about new and emerging fraud threats to SAFS Partners and sharing this intelligence with Action Fraud, County Trading Standards, NCSC and CIFAS.

- 2.19 SAFS worked with NAFN and the Department for Business Energy & Industrial Strategy (BEIS) sharing data and intelligence about national scam emails to local councils attempting to obtain data about local businesses in the hospitality and pharmacy sectors so that fraudulent grant applications can be submitted.
- 2.20 A Large part of SAFS involves housing benefit or council tax discounts and SAFS usually works very closely with officers from Department for Work and Pensions to ensure that all these cases are jointly worked in accordance with a national framework. In 2020/21, as mentioned above, we encountered significant delays when working with the DWP as their staff were redeployed as part of the Governments wider response to the pandemic. Many cases of alleged 'benefit' fraud are still unable to proceed due to staffing DWP redeployments.
- 2.21 As well as the financial values identified SAFS assisted in the recovery of 2 council properties that were subject to some form of tenancy fraud. SAFS have conducted 22 reviews of 'right to buy' applications to prevent any fraudulent or improper applications.
- 2.22 SAFS had also identified, by the end of March 2021, that a number of council homes were being sub-let or misused in contravention of the tenancy agreements. These matters had all been reported to the council's housing and legal services but due to the Governments decision to protect tenants from eviction during the Covid lock-downs no action could be taken to begin recovery of these properties until early 2021.

**Case study 3:**

Subletting / abandonment

*Allegation received from residents reporting a council tenant of a property at Windsor close had vacated the 2 bedroom house to reside with his wife in Brighton whilst subletting the council property.*

*The Councils housing records showed that rent arrears had accumulated and amounted to more than £3,000.*

*Evidence obtained by SAFS showed the tenants former partner had purchased a property in Suffolk. Further evidence revealed that the tenant was living in the same area in Suffolk. SAFS and Council officers attended the Windsor Road address and found the property completely void of furniture or personal belongings, it was evident the property had been abandoned.*

*A notice was served, and the property was recovered and brought back into stock on the 26<sup>th</sup> October 2020. On the 23<sup>rd</sup> of December a new tenancy began by a family who had been waiting in temporary accommodation since February 2020*

- 2.23 The Councils Shared Revenue & Benefit service made good use of the Council Tax Review Framework in 2020/21 with 12,605 properties in receipt of a council tax discount (normally for single occupancy) being reviewed. As a result of the review 327 discounts were withdrawn raising around £133,000 in additional council tax revenue in 2020/21. SAFS and the County Revenues Managers group are working closely with to introduce a new framework from the summer of 2021.
- 2.24 The Council fully complied with the statutory requirement of the National Fraud Initiative (NFI) 2020, with all datasets being uploaded by the deadlines in October, and some later ones (relating to the business grants data) in February 2021. SAFS and Council officers are now working through the output from that exercise received in March 2021. **Tables 5/5A** breaks down this work, and outcomes reported, so far.

**Table 5A. NFI Activity Main exercise**

Total Matches received 2020/21	High Priority Matches	Matches Reviewed end July 2021	High Priority Matches Outstanding at 21.6.2021	Total loss detected
1361	336	170	166*	£0

*\*The focus at present is on high priority matches.*

**Table 5B. NFI SPD and Covid Grants reports**

Report	Matches	Matches Reviewed end July 2021	Matches Outstanding end July 2021	Total loss detected
SPD*	901	0	901	£0
Covid Grants**	17	0	17	£0

*\*SPD cases are being reviewed by SAFS*

*\*\* Covid Grant discrepancies are being reviewed by Council officers. We suspect an error in the data has caused the high number of matches rather than actual fraud.*

### 3 SAFS KPI Performance 2020/21

3.1 As part of the Councils Anti-Fraud Plan for 2020/21 a number of KPIs were agreed with SAFS to measure its performance and the return on investment from this shared service. The targets and performance against these are shown below.

3.2 All KPIs were met in 2020/21 with the exception of 5D 'Properties Recovered'.

KPI	Measure	Target 2020/21	Performance in Year
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Reports to SAFS Board in June, September, and March 2021. SBC S.151 sits on the SAFS Board. Reports and meetings with s.151 quarterly.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Mgt Meetings/ R&B Liaison Meetings.	A. 2.5 FTE working on SBC cases and projects in 2020/21 B. Reports to AC in June 2020, September 2020 and March 2021. C. SAFS has close working with relationship with R&B and regular liaison is taking place. SAFS reps sit on JAG and CGG.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	A&B. both met within 2 days on average.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year.	A. SAFS has access to both and SBC staff can access NAFN (from April 2021 Legal Services can access PNLD) B. SAFS Mgt are members of the CF Centre. C. See A above. D. 7 Training sessions were provided to council officers often via virtual or on-line delivery.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. 60% of cases investigated and closed in year with a positive outcome. C. All cases investigated will be recorded and the financial value, including loss/recovery/savings of each, Reported. D. Recover between 6 and 12 council properties where tenancy breaches for POSHFA, Housing Act, Fraud Act offences are suspected	A. This is happening daily as referrals received B. 66% of cases closed had a positive outcome - (25 from 38 cases)). C. This is happening daily as cases are investigated/closed and is used to produce reports to SAFS Board, SAFS Partner Senior Management and Audit Committees. D. Only two properties were recovered as a result of misuse in 2020/21 due to the Government decision not to evict tenants during the lock-downs.
6	Making better use of data to prevent/identify fraud.	A. Develop the Hertfordshire FraudHub for the Council. B. Support the NFI 2020/21 data upload for the Council. C. Consider other areas where the better use of data will benefit the Council financially.	A. A fraud-hub approach is being taken where data/knowledge/experience/expertise is shared across SAFS Partners. SBC is signed up the FraudHub participation in 2021/22. B. SAFS supported the Councils full compliance with NFI 2020/21 C. This includes the Herts Fraud-Hub as well as specific one-off data-matching/analytics.

#### 4. Transparency Code- Fraud Data

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

4.2 The Code requires that Local Authorities publish the following data in relation to Fraud. The response for Stevenage Borough Council for 2020/21 is in **Bold**:

- 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 their behalf.**

- Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.

##### **2.5 FTE**

- Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.

##### **2.5 FTE**

- Total amount spent by the authority on the investigation and prosecution of fraud.

**£145,080 (includes salary cost of seconded officer)**

- Total number of fraud cases investigated.

**38 cases investigated and closed in year, a further 25 cases of irregularity investigated, and 41 cases still live at year end.**

4.3 In addition, the Code recommends that local authorities publish the following (for Stevenage Borough Council Fraud/Irregularity are recorded together and not separated):

- Total number of cases of irregularity investigated-

**See 7 above**

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

**25 Cases identified fraud.**

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

**£195,000 of fraud loss/savings identified in year (a further £457,000 of estimated fraud loss was under investigation at year end) and £133,000 from Council Tax Review.**

## 5. Further Reading

- *Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)*
- *Fighting Fraud and Corruption Locally a Strategy for the 2020's. (CIPFA/CIFAS/LGA)*
- *Tackling Fraud in the Public Sector. (CIPFA 2020)*
- *Guide to Understanding the Total Impact of Fraud (International Public Sector Fraud Forum 2020)*
- *Fraud in Emergency Management and Recovery (International Public Sector Fraud Forum 2020)*
- *COVID-19 Counter Fraud Measures Toolkit. (Cabinet Office 2020)*
- *Local Authority Covid-19 Business Support Grants Fact Sheet (Government Counter Fraud Function 2020)*
- *UK Annual Fraud Indicator 2017.*
- *Fraud and Corruption Tracker 2020. (CIPFA)*
- *United Kingdom Anti-Corruption Strategy 2017-2022. (HMG 2017)*
- *Code of Practice – Managing the Risk of Fraud and Corruption. (CIPFA 2014)*

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**Stevenage Borough Council  
Anti-Fraud Plan 2020/2021**

**in partnership with**

**The Shared Anti-Fraud Service**



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## Introduction

This plan supports the Councils Anti-Fraud and Corruption Strategy by ensuring that Stevenage Borough Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service and others, 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 Strategy and meet the best practice guidance/directives from central government department such as Ministry for Housing 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 “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published by various organisations including CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss and that fraud should be prevented where possible and pursued where it occurs.

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 exceeded £7bn in 2016/2017 excluding housing benefit fraud & council tax fraud.

In 2019 the National Crime Agency’s *Public Private Threat Update- (Economic Crime)* for 2018 identified that reported nationally fraud loss had increased by 38% on the previous year and incidents of fraud crime had increased by 9%. The report highlights insider fraud, cyber enabled fraud and identity fraud as key areas of risk.

In CIPFA’s *Counter Fraud and Corruption Tracker 2019 – Summary Report* reported fraud in local government had a downward trend in 2018/19 compared to previous years, in particular in relation to tenancy and social housing fraud. The report mentions that this trend may be indicative of action taken by local government to prevent this type of fraud. But that report goes on to suggest that the three biggest areas of fraud risk for local government remain procurement, council tax and adult care services.

The Council has always accepted and acknowledged that it is at risk of significant fraud and it is clear that the increasing upward trend of reported fraud nationally requires the Council to ensure that it has in place robust processes and strategies to reduce the opportunity for fraudsters to attack the Councils finances.

The CIPFA ***Local Government Counter Fraud and Corruption Strategy (2016-2019)*** provides a strategic response for local government to deal with the threat of fraud and 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. A new strategy will be announced in March 2020 and this expected to follow the same six themes or 6C’s:

- 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

What is clear is that every pound lost from the public purse, due to fraud, is a pound lost from front line services. The Councils Anti-Fraud Plan 2020/2021 is based on the principles of ‘Acknowledge/ Prevent/ Pursue’ and the 6 C’s to ensure the Council is adequately protected against the risk of fraud and that, where fraud does occur, there are plans to manage, mitigate and recover losses.

## **SAFS Resources 2020/2021**

### **Anti-Fraud Arrangements**

Stevenage Borough Council is a founding Partner in the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. In 2019 the SAFS Partnership won awards for 'Significant Contribution' at the Fighting Fraud and Corruption Locally Awards and the 'Outstanding Partnership' award at the Tackling Economic Crime Awards.

SAFS is a Partnership with each organisation paying an annual fee for Hertfordshire County Council to provide a contracted service across the whole Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For Stevenage Borough Council the Interim Head of Strategic Finance and Property is the Board representative.

Although SAFS provides much of the Councils proactive, reactive and operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

### **Budget**

In January 2020 the SAFS Board accepted a report from the Head of SAFS to increase the fees for all Partners in line with a cost of living increase to meet increased staff costs. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

The Board agreed that the annual fee for all Partners would increase by 2% per annum to 2021 and would be reviewed further at that time.

Fees for Stevenage Borough Council will increase from £102,000+ VAT (2019/20) to £104,000+ VAT (2020/21).

### **Staffing**

The full complement of SAFS in 2020/2021 will be 17.6 FTE's; 1 Manager, 2 Assistant Managers, 10 Investigators, 3 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and 0.6 FTE Accredited Financial Investigator, both posts are funded from SAFS Budgets.

Stevenage Borough Council will have exclusive access to 1 FTE Investigator and the Tenancy Fraud Officer employed by the Council in 2016 will be seconded to the SAFS Team from April 2020 rather than, as in previous years, being managed as an employee of the Council.

Access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* hosted by the Cabinet Officer and can call on SAFS management for liaison meetings, management meetings and three Audit Committees reports per annum. The Accredited Financial Investigator is also available to assist in money laundering or proceeds of crime investigations.

SAFS also has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the in-house legal team.

SAFS will 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/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification of fraud and fraud prevention
  - The FraudHub will be funded by the Council
  - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
  - Data will be collected and loaded in a secure manner.
  - SAFS will design and maintain a data-sharing protocol for all 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 Council to access data-sets to load into the data-warehouse and determine the frequency of these.
  - SAFS will work with Council officers 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.
  - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 2 working days of receipt
  - All cases reported to SAFS will be reviewed within 5 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3<sup>rd</sup> parties including police, DWP, Action Fraud.
  - The Council will be informed of all reported fraud affecting its services.
  - SAFS will allocate an officer to each cases selected investigation.
  - SAFS officers will liaise with nominated officers at the Council to access data/systems/office 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 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.
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.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

*\*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, Investigatory Powers Act.*

SBC / SAFS Action Plan 2020/2021			
CIPFA Principles	Goals & 6Cs	Activities	Responsible Officer
ACKNOWLEDGE	Fraud is acknowledged as a Risk for the Council <b>CULTURE</b>	The Council has in place Anti-Fraud and Corruption Strategy & Fraud Response Plan. New policies are under review and will be in place by the summer of 2020 Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies Audit Committee and Senior Managers ensure compliance with CIPFA best practice in the Councils counter fraud arrangements The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	s.151 / Monitoring Officer Monitoring Officer s.151 Officer Monitoring Officer
	The Council has a robust communication policy demonstrating its commitment to prevent fraud <b>COMMUNICATION</b>	The Councils Communication Team will publicise prosecutions, anti-fraud campaigns and provide internal communications to staff on fraud awareness Access to SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members. The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and review the E-Learning training available for staff SAFS will provide fraud alerts to appropriate officers/staff/services from Action Fraud/ NAFN/ Police .	Senior Communications Officer SAFS Manager / Senior Communications Officer SAFS Manager & Head of Human Resources SAFS Manager
	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. <b>COLLABORATION</b>	Implement the contract for Stevenage Borough Council to join the Herts <i>FraudHub</i> in 2020. SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNL, CIPFA, CIFAS, SAS and Hooyu Deliver the NF1 2020/2021 Exercise Continue to work with DWP to deliver CTRS/HB joint working Work with other organisations, including private sector, to improve access to data	SAFS Manager/ Monitoring Officer Monitoring Officer / SAFS Manager SAFS Mgr SAFS Mgr/Shared R&B Manager SAFS Mgr
	Have the highest levels of professional standards <b>COMPETENCE</b>	All SAFS staff will be fully trained and accredited All investigations will comply with relevant legislation and Council policies SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA	SAFS Mgr SAFS Mgr SAFS Mgr Monitoring Officer / SAFS Manager
PURSUE	Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. <b>CAPABILITY</b>	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 officers The Shared Legal Service and Housing, HR and Debt Recovery Teams will seek to 'prosecute' offenders, apply sanctions, recover social homes and recover financial losses	SAFS Mgr/ S.151 Officer SAFS Mgr SAFS Mgr Monitoring Officer
	Develop the right level of resources to deal with the level of fraud risk <b>CAPACITY</b>	The Council will review its ROI from SAFS Membership SAFS will assist the Council in providing its Transparency Code (Fraud) Data for 2019/2020 Reports for Audit Committee on all Counter Fraud activity SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	S.151 Officer SAFS Mgr SAFS Mgr/ S.151 Officer SAFS Mgr

s.151 Officer is Assistant Director- Finance & Estates  
 Monitoring Officer is Service Director- Head of Shared Legal Service

**SAFS  
KPIs 2020/2021**

KPI	Measure	Target 2020/21	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Mgt Meetings/ R&B Liaison Meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year.	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. 60% of cases investigated and closed in year with a positive outcome. C. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. D. Recover between 6 and 12 council properties where tenancy breaches for POSHFA, Housing Act, Fraud Act offences are suspected	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Develop the Hertfordshire FraudHub for the Council. B. Support the NFI 2020/21 data upload for the Council. C. Consider other areas where the better use of data will benefit the Council financially.	Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

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## Stevenage Borough Council Audit Committee

8 September 2021  
Shared Internal Audit Service –  
Progress Report

### Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve Changes to the Internal Audit Plan as at 20 August 2021
- c) Note the Status of Critical and High Priority Recommendations

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- 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 Internal Audit Plan Changes
  - 2.5 Critical and High Priority Recommendations
  - 2.7 Performance Management

### Appendices:

- A Progress against the 2021/22 Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Internal Audit Plan Items (April 2021 to March 2022) - Indicative 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 2021/22 Internal Audit Plan as at 20 August 2021.
  - b) The findings for the period 1 April 2021 to 20 August 2021.
  - c) Details of any changes to the approved Internal Audit Plan.
  - d) The implementation status of previously agreed audit recommendations.
  - e) An update on performance management information as at 20 August 2021.

## Background

- 1.2 Internal Audit's Annual Plan for 2021/22 was approved by the Audit Committee at its meeting on 24 March 2021. The Audit Committee receive periodic updates against the 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 details of changes to the agreed Annual Internal Audit Plan.

# 2 Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 20 August 2021, 29% of the 2021/22 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued since the last Audit Committee meeting:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Leasehold Properties 2020/21	July 2021	Satisfactory *	Four Medium, Two Low priority
Vehicle Workshop	July 2021	Substantial	One Low priority
North Road Development	July 2021	Substantial	None

\* Audits in 2020/21 used the previous assurance levels

- 2.3 The table below summarises the position regarding 2021/22 projects as at 20 August 2021. Appendix A provides a status update on each individual project within the 2021/22 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	2	10%
Draft Report Issued	3	14%
In Fieldwork/Quality Review	2	10%
In Planning/Terms of Reference Issued	6	28%
Allocated	7	33%
Not Yet Allocated	0	0%
Cancelled	1	5%
Total	21	100

### Proposed Audit Plan Changes

- 2.4 The following Audit Plan changes were agreed with audit sponsors. The Committee is asked to approve these changes:
- a) **Council Housebuilding & Acquisitions Programme (10 days)** – an audit intended for quarter 1 has been deferred to 2022/23. After discussions with the Assistant Director - Housing & Development, it was agreed that this was now a more appropriate timeframe as the programme will be further forward.
  - b) **Homes England: Compliance Audit (5 days)** – new housing development grant audit added for quarter 2. The Council has been selected for audit by Homes England, who require independent confirmation that all requirements and grant funding conditions have been complied with. It has been agreed with the Housing Development Delivery Manager that SIAS will provide the confirmation required.

### 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 the most recent management updates on the status of any outstanding Critical and High priority audit recommendations.

### Performance Management

- 2.7 The 2021/22 annual performance indicators were approved at the SIAS Board meeting in March 2021.

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:

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target</b>	<b>Actual to 20 August 2021</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed	95%	31% (96/312 days)	29% (91.5/312 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	25% (5/20 projects)	25% (5/20 projects)
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (2 received) Note (1)
<b>4. Number of Critical and High Priority Audit Recommendations agreed</b>	95%	95%	100% (2 High agreed) Note (2)

Note (1) - 2 received in 2021/22 relate to 2020/21 audits.

Note (2) – 2 relate to a 2020/21 audit finalised after 31/03/2021.

**APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN**

**2021/22 SIAS Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
<b>Key Financial Systems – 80 days</b>									
Provision for full or targeted audit of some key financial systems. Mapping other key financial systems to confirm appropriate lines of assurance and to inform the annual assurance statement						80	Yes	3	In Planning
<b>Operational Audits – 144 days</b>									
Vehicle Workshop	Substantial	0	0	0	1	10	Yes	10	Final Report Issued
Homelessness & Housing Advice						10	Yes	0	Allocated
Housing Allocations						10	Yes	0	Allocated
Collection of Leaseholder Liability						10	Yes	0	Allocated
Community Safety (SADA)						10	Yes	0.5	In Planning
Youth Council						6	Yes	5.5	Draft Report Issued
COVID-19 Pandemic Response & Recovery						12	Yes	11.5	Draft Report Issued
Welfare Reform						10	Yes	0.5	In Planning
Health & Safety						10	Yes	9.5	Draft Report Issued
Information Governance						10	Yes	2	ToR Issued
Council Housebuilding & Acquisitions Programme						0	N/A	0	Cancelled
Contract Management						10	Yes	9	In Fieldwork
Capital Programme Development & Delivery						10	Yes	0	Allocated
Housing Development Site (North Road)	Substantial	0	0	0	0	11	Yes	11	Final Report Issued
Follow Up audit (Landlord Health & Safety)						5	Yes	0.5	In Planning
Follow Up audit (2)						5	Yes	0	Allocated

**APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Homes England – Compliance Audit						5	Yes	1.5	In Fieldwork
<b>Risk Management and Governance – 15 days</b>									
Risk Management, Corporate Governance						15	Yes	0	Allocated
<b>IT Audits (in conjunction with East Herts Council) – 16 days</b>									
IT Resilience						6	Yes	0	Allocated
Cyber Security Assurance Mapping						10	Yes	5	ToR Issued
<b>Shared Learning and Joint Reviews – 10 days</b>									
Joint Reviews - tbd						6	No	0	Through Year
Shared Learning						4	No	0	Through Year
<b>Completion of outstanding 2020/21 projects – 4 days</b>									
Various						4	Yes	4	Complete
<b>Contingency – 3 days</b>									
Contingency						3	No	0	Not Yet Allocated
<b>Strategic Support – 43 days</b>									
Head of Internal Audit Opinion 2020/21						3	Yes	3	Complete
Audit Committee						8	Yes	3	Allocated
Client Meetings and ad-hoc advice						9	Yes	3	Through Year
Plan Monitoring, Work Allocation and Scheduling						12	Yes	4	Through Year
SIAS Development/EQA						5	Yes	5	Through Year
2022/23 Internal Audit Planning						6	Yes	0	Allocated
<b>SBC TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>315</b>		<b>91.5</b>	

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Most Recent Management Update	SIAS Comment (August 2021)
1.	Landlord Health & Safety Compliance.	<p><u>Completion of remedial actions arising from Water Risk Assessments.</u></p> <p>The Council should carry out an exercise, reviewing all properties on its water safety programme and their corresponding risk assessments, noting all remedial actions by order of priority.</p> <p>The Council should then agree a programme of works with its contractor to ensure all remedial actions have been completed.</p> <p>Going forward, the Council should put in place regular checks on the status of actions identified from risk assessments to ensure actions have been completed by their due date. The Council can achieve this by amending their existing spreadsheet used to note the dates of monthly monitoring.</p>	<p>The Gas Manager has a spreadsheet that lists what remedial works is required. Quotes have been received and SBC are working through completing all outstanding remedial work. Actions are being addressed in the order of their priority. Future remedial work will be issued to SBC every month.</p>	Asset Management & Major Works Manager.	Completion of all remedial works April 2021.	<u>August 2021.</u> Work complete.	Implemented.
2.	Payment Card Industry Data Security Standard (PCI-DSS).	<p><u>PCI-DSS Self-Assessment &amp; Compliance Structure.</u></p> <p>The Council has not completed a SAQ and</p>	Payment methods across the Council to be reviewed following a risk assessment of	Assistant Director – Finance & Estates.	July 2021.	<u>August 2021.</u> An initial working group has taken place with key stakeholders and	Implemented.

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Most Recent Management Update	SIAS Comment (August 2021)
		<p>does not have a formal PCI-DSS compliance strategy/program in place to meet required data security standards.</p> <p>As the option for non-compliance was taken several years ago and since that point there have been multiple personnel changes, the Council should re-assess the level of risk and decide if the non-compliant route is still the most preferred option.</p> <p>A cross-council PCI-DSS working group should be established to focus on assessing the level of risk presented by sustained non-compliance with the PCI-DSS.</p> <p>This group's primary objective should be to determine whether to accept the level of risk and continue to pay the monthly penalty imposed by WorldPay or agree roles and responsibilities to engineer and maintain compliance with the published standards.</p> <p>Should the decision be made to focus on compliance, the Council is</p>	<p>current methods.</p>			<p>following this the Customer Service Centre are no longer taking card payments over the phone (except in exceptional circumstances whereby the customer cannot use the automated line).</p> <p>Further work will be undertaken over the coming months.</p>	

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Most Recent Management Update	SIAS Comment (August 2021)
		recommended to consult the best practice guidance produced by the PCI DSS Council in January 2019.					
3.	Payment Card Industry Data Security Standard (PCI-DSS).	<u>Roles and Responsibilities.</u> It was not possible during the course of this review to identify any PCI-DSS compliance stakeholders due to the low level of awareness throughout the Council.	The AD for Finance & Estates will own responsibility for PCI-DSS compliance. Key stakeholders across the council will be identified and a working group set up to discuss the payment methods into the Council.	Assistant Director – Finance & Estates.	July 2021.	<u>August 2021.</u> An initial working group has taken place with key stakeholders and following this the Customer Service Centre are no longer taking card payments over the phone (except in exceptional circumstances whereby the customer cannot use the automated line). Further work will be undertaken over the coming months.	Implemented.
4.	General Fund Property Health and Safety.	<u>Air Circulation Risk Assessment.</u> The Council should implement arrangements with general fund properties to ensure that air circulation risk assessments are completed as required and any remedial actions completed on a timely basis. A log should be	Following discussions with SLT the corporate landlord section of the Council will be carrying out a full portfolio assessment of the current and required air circulation requirements with a view to ensure	Corporate Landlord Programme Manager	August 2021.	<u>August 2021.</u> No new update.	Not yet implemented – continue to monitor.

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Most Recent Management Update	SIAS Comment (August 2021)
		maintained to ensure all risk assessments are being carried out annually and follow up action taken where risk assessments are not provided. The Council could consider implementing a programme of air circulation checks and removing the requirement from staff at individual properties.	suitable arrangements are made within the various properties.				

**APPENDIX C – INTERNAL AUDIT PLAN ITEMS (APRIL 2021 TO MARCH 2022) – START DATES AGREED WITH MANAGEMENT**

<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
<b>Youth Council</b> Draft Report issued	<b>Vehicle Workshop</b> Final Report Issued	<b>Key Financial Systems</b> In Planning	<b>Key Financial Systems</b> In Planning
<b>COVID-19 Pandemic Response</b> Draft Report issued	<b>Community Safety (SADA)</b> In Planning	<b>Housing Allocations</b> Allocated	<b>Homelessness &amp; Housing Advice</b> Allocated
<b>Health &amp; Safety</b> Draft Report Issued	<b>Homes England – Compliance Audit</b> In Fieldwork	<b>Audit Follow Up</b> Allocated	<b>Collection of Leaseholder Liability</b> Allocated
<b>Council Housebuilding &amp; Acquisitions Programme (Cancelled)</b>	<b>Information Governance</b> ToR Issued	<b>Capital Programme Delivery</b> Allocated	<b>Risk Mgmt , Corporate Governance</b> Allocated
<b>Housing Development Site (North Road)</b> Final Report Issued	<b>Cyber Security</b> ToR Issued	<b>Welfare Reform</b> In Planning (c/f from Q2)	<b>IT Resilience</b> Allocated
	<b>Contract Management</b> In Fieldwork		
	<b>Landlord H &amp; S Follow up</b> In Planning		

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**APPENDIX D – ASSURANCE / PRIORITY LEVELS**

Assurance Level	Definition
<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priority Level			Definition
<b>Corporate</b>	<b>Critical</b>		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.
<b>Service</b>	<b>High</b>		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.
	<b>Medium</b>		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.
	<b>Low / Advisory</b>		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

**Agenda Item:**

Portfolio Area: Resources

**Date:** 8 September / 22 September / 13  
October



**ANNUAL TREASURY MANAGEMENT REVIEW OF 2020/21 INCLUDING  
PRUDENTIAL CODE**

**NON-KEY DECISION**

Author	– Belinda White	Ext. 2515
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**1 PURPOSE**

1.1 To review the operation of the 2020/21 Treasury Management and Investment Strategy.

**2 RECOMMENDATIONS**

**2.1 Audit Committee**

That subject to any comments by the Audit Committee to the Executive, the 2020/21 Annual Treasury Management Review is recommended to Council for approval.

**2.2 Executive**

That subject to any comments made by the Executive, in addition to those made by the Audit Committee, the 2020/21 Annual Treasury Management Review is recommended to Council for approval.

**2.3 Council**

That subject to any comments from the Audit Committee and the Executive, the 2020/21 Annual Treasury Management Review be approved by Council.

2.4 The CFO recommends that the wording in Appendix C Table 1 Specified Investments Criteria be amended as set out in paragraph 4.2.6.5 in order to allow the use of the Enhanced Cash Funds included in Table 3 Treasury Limits.

### 3 BACKGROUND

#### 3.1 Regulatory requirement

3.1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

3.1.2 During 2020/21 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 26/02/2020)
- a mid-year treasury update report (Council 16/12/2020)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

3.1.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

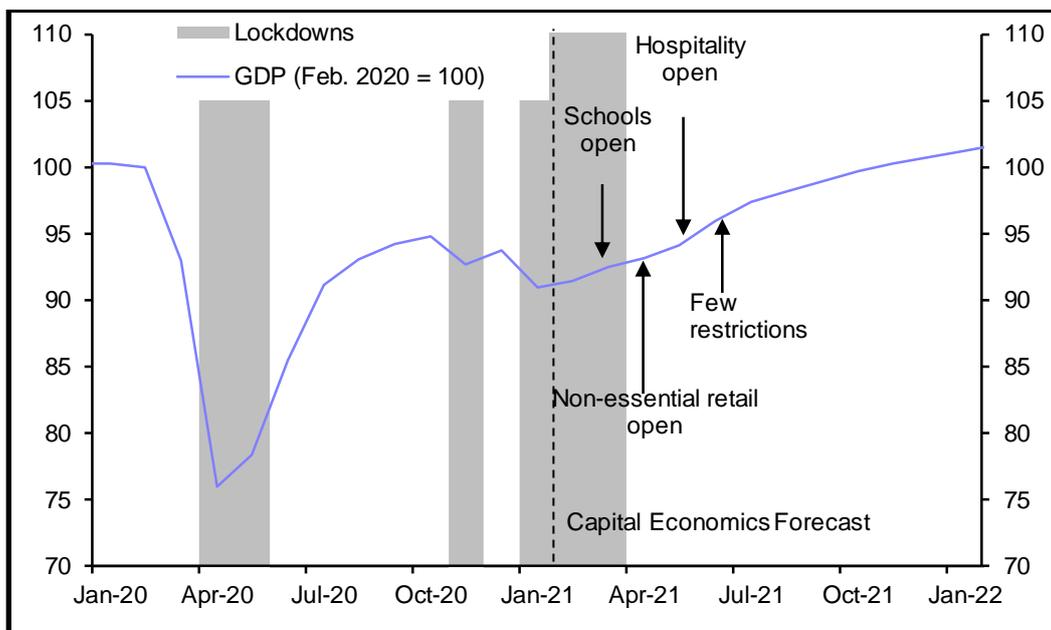
3.1.4 Officers confirm that they have complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee and the Executive before they were reported to the Council.

#### 3.2 The Economy and Interest rates in 2020/21 and current position

3.2.1 **Bank Rate.** Coronavirus and Brexit were both major factors impacting the UK economy in 2020/21. Having cut the Bank Rate to 0.10% in March 2020 in response to the coronavirus pandemic, the Monetary Policy Committee (MPC), embarked on a programme of Quantitative Easing (QE) (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC then increased QE further in June and again in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

3.2.2 **GDP.** The impact of coronavirus on UK GDP can be seen in the graph below. The first national lockdown in late March 2020 had a significant impact on an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the

financial crisis of 2008/09. A short second lockdown in November had a relatively small impact, and by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways. Despite it being a three month lockdown there was much less impact than during the first lockdown. The rollout of vaccines from November 2020, and the UK vaccine programme implementation, has given rise to expectations of a return to normality during the second half of 2021 and the resultant economic recovery.



**3.2.3 Inflation.** Average inflation targeting was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The Bank’s forward guidance policy statement in August included that “it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably”. This means that, even if inflation rises to 2% in a couple of years’ time, no action is expected from the MPC to raise Bank Rate, until they can clearly see that inflation is going to be persistently above target if it does not raise Bank Rate. As such, no increase is expected before March 2024, possibly not for five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is forecast to be a short lived factor and therefore would not be a concern to the MPC.

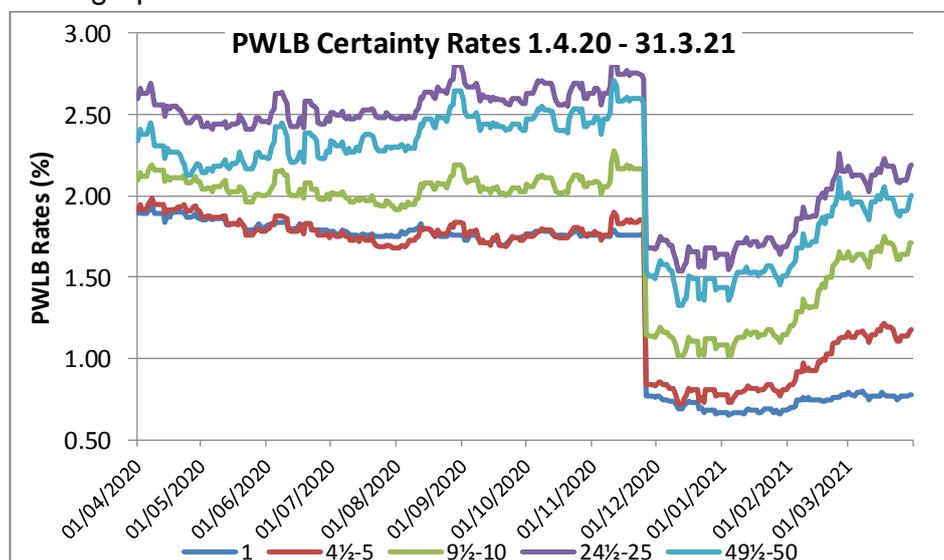
**3.2.4 Covid support.**

**3.2.4.1** The Chancellor implemented repeated rounds of support to businesses via cheap loans and other measures, and protected jobs by paying for workers to be placed on furlough. Councils like Stevenage gave support to businesses affected by Covid. Stevenage gave £21Million in Business Rates Relief and £20Million Covid-related business grants during 2020/21.

3.2.4.2 This support was costly and the Government’s budget deficit increased in 2020/21 and 2021/22 to date, with the Debt to GDP ratio now around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022, followed by tax rises in the following three years to help to pay the cost for the pandemic. This aims to further strengthen the economic recovery from the pandemic and return government finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further.

3.2.5 **Brexit.** The UK left the European Union on 31 January 2020 and an exit deal was agreed between the UK and the EU just before the end of the transition period on 31 December 2020. The initial agreement with the EU only covered trade, so further work remains on the services sector where temporary equivalence has been granted in both directions between the UK and EU and needs to be formalised permanently. Trade agreements with some countries and trading blocs took effect from 1 January 2021. Other agreements are still under discussion with countries where trading agreements were in place before 1 January 2021, and the Government put in place a UK global tariff and is trading with other World Trade Organisation (WTO) members on WTO terms, while trade with eligible developing countries is taking place under the UK’s Generalised Scheme of Preferences. Brexit is likely to lead to a long-term structural change in the UK economy, impacting areas such as trade, investment and immigration.

3.2.6 **PWLB borrowing rates** are based on gilt (UK Government bonds) yields through H.M. Treasury determining a specified margin to add to gilt yields. PWLB were fairly constant during 2020/21 until 26<sup>th</sup> November 2020. New investment guidance was issued by the Ministry of Housing, Communities and Local Government (MHCLG) on 26 November 2020 as a response to the consultation on the future lending terms of the PWLB. Along with the guidance was the reversal of the 1% rate rise instituted 19<sup>th</sup> October 2019 on General Fund borrowing. Borrowing in relation to HRAs had been granted an additional 1% certainty rate reduction during the period October 2019 to November 2020 to negate the 1% rise. Rates began to rise in the final quarter of the year, and the gap between the benchmark rates shown in the graph widened.



3.2.7 The target average borrowing rate in the HRA Business Plan (HRA BP) was 3.40% for 2020, rising to 3.70% in 2021 and 4.00% in 2022. New HRA borrowing of £4.010Million was taken externally in March 2020 at an average rate of 1.62% and in March 2021 a 20 year loan for £10Million was taken at 2.06%. The change in PWLB rates since the HRA BP was written can be seen in Table one. Despite volatility since the HRA BP was set, the current forecast rates remain lower than the original HRA BP forecasts of November 2020 and are in line with the current HRA budgets.

<b>Table one: PWLB borrowing rates</b>				
<b>Rates* as at:</b>	<b>HRA BP</b>	<b>Mar-20</b>	<b>Mar-21</b>	<b>Aug-21</b>
<b>Years</b>	<b>Forecast Rate %</b>	<b>Actual Rate %</b>	<b>Actual Rate %</b>	<b>Forecast Rate %</b>
5	1.63			1.12
10	1.95			1.45
15	2.28			1.69
17		1.60		1.75
20	2.46		2.06	1.80
25	2.52	1.72		1.82

\* Rates include a 0.2% Certainty Rate reduction

3.2.8 There are alternatives to the PWLB for borrowing, for both the General Fund and the HRA, including the UK Municipal Bonds Agency. The UKMBA provides funding through three lending programmes. Current UKMBA trading levels in the market, inclusive of all fees, are lower than the PWLB Certainty rate at like maturities.

- Proportionally guaranteed, pooled loans of £1 million or more for maturities greater than one year.
- Standalone loans to a single local authority for £250 million or more for maturities greater than one year. These loans are outside of the proportional guarantee and are guaranteed solely by the borrower, who must obtain an external credit rating from one or more of the major credit rating agencies.
- Short term, pooled loans, outside of the proportional guarantee for maturities of less than one year.

## **4 TREASURY MANAGEMENT ACTIVITIES**

### **4.1 OVERALL TREASURY POSITION AS AT 31 MARCH 2021**

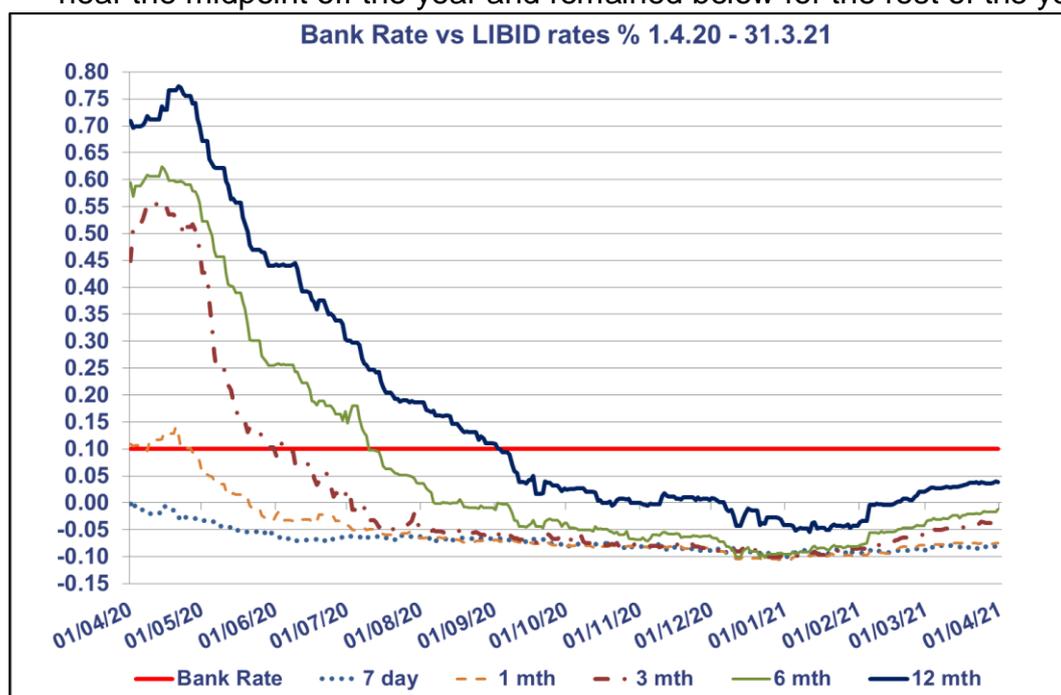
4.1.1 As at 31 March 2020 and 2021 the Council's treasury position was as follows:

<b>Table two: Treasury Position</b>						
	<b>2019/20</b>			<b>2020/21</b>		
	<b>31 March 2020 Principal £'000s</b>	<b>Rate / Return %</b>	<b>Average Life (Yrs)</b>	<b>31 March 2020 Principal £'000s</b>	<b>Rate / Return %</b>	<b>Average Life (Yrs)</b>
<b>Total Borrowing</b>	<b>209,229</b>	<b>3.34</b>	<b>14.12</b>	<b>218,966</b>	<b>3.34</b>	<b>13.45</b>
Capital Financing Requirement	244,027			266,962		
Over/(under) borrowing	(34,798)			(47,996)		
<b>Investments Portfolio (see section 4.2.6)</b>	<b>54,072</b>	<b>0.98</b>		<b>69,700</b>	<b>0.65</b>	

4.1.2 Investment balances increased year-on-year by £15.6 Million. The primary components of this were Covid grants to businesses and S31 Reliefs in advance, however Members should note that £8.5Million is due to be repaid to the Collection Fund relating to S31 reliefs in 2021/22. The balances include restricted use funds that can only be used to finance capital spend, money set aside as provisions and monies held on behalf of others including council tax and business rates provisions and advance payments (see paragraph 4.2.4.2).

4.1.3 During the year the average investment balance was £63.007 Million, earning interest of £406,682 and achieving an average interest rate of 0.65%. The comparable rate was -.083% (average 7-day LIBID rate). This compares with an original budget assumption of £491,520 investment interest based on average investment rate of 0.9%.

4.1.4 The following chart shows UK Bank Rate and LIBID (London Interbank Bid) rates in 2020/21. It can be seen that all LIBID rates fell below Bank Rate near the midpoint off the year and remained below for the rest of the year.



## 4.2 TREASURY MANAGEMENT STRATEGY 2020/21

4.2.1 The original 2020/21 Treasury Management strategy had projected Bank Rate of 0.75% at the start of the year, until the midpoint of 2020/21 when it was forecast to rise to 1.0% (and to 1.25% at the midpoint of 2021/22). The actual Bank Rate was 0.10% for the full financial year. The returns achievable on the Council's investments are currently modest based on the low Bank of England base rate and the risk appetite of the TM Strategy, which is compliant with the advice from the Council's treasury advisors, Link Asset Management.

4.2.2 The impact of the European Union (EU) Referendum decision to leave the EU and the implications of this for the UK economy were uncertain when the strategy was set and, as described in paragraph 3.2.5, the agreements following the UK's departure from the EU are still being developed, so further updates of the Strategy may be required.

### 4.2.3 The Council's Capital Expenditure and Financing 2020/21.

4.2.3.1 In 2020/21 the Council spent £44.361 Million on capital projects (General Fund and Housing Revenue Account). The capital programme was funded from a combination of existing capital resources and an increase in borrowing (General Fund £0.791 Million, HRA £20.858 Million). External loans of £10.0 Million were taken out for the HRA during 2020/21. Table three details capital expenditure and financing used in 2020/21.

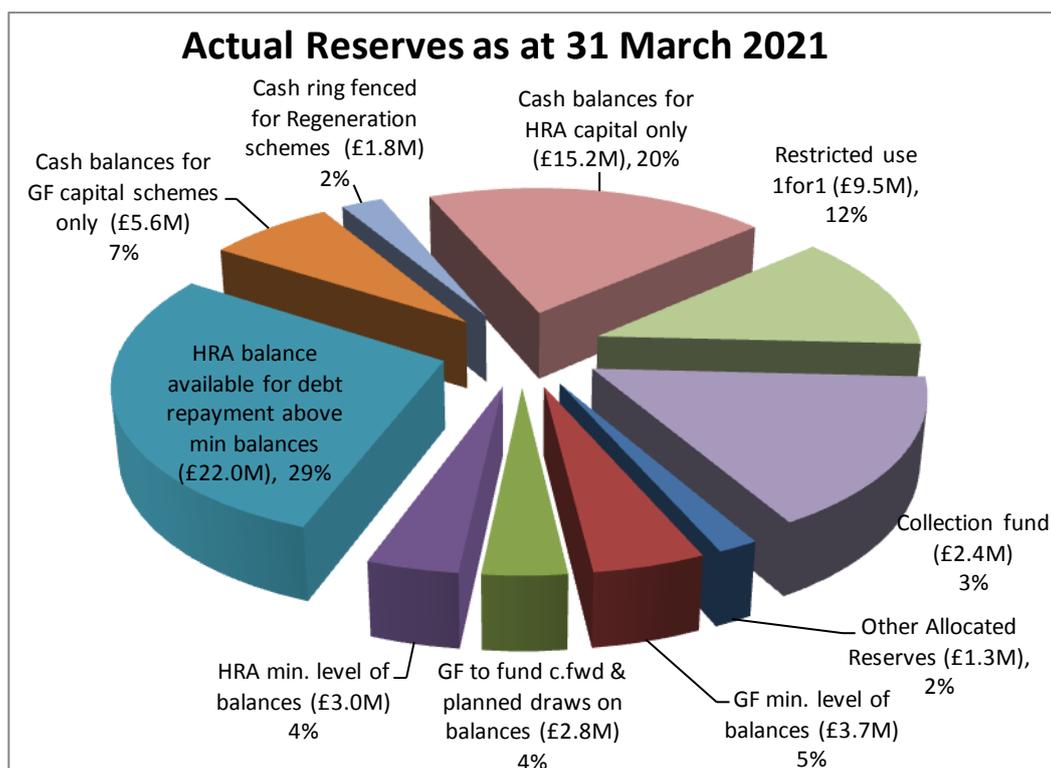
<b>Table three : 2020/21 Capital Expenditure and Financing</b>				
	<b>2020/21</b>	<b>2020/21</b>	<b>2020/21</b>	<b>2020/21</b>
	<b>Original Estimate</b>	<b>Quarter 3 Working Budget</b>	<b>Actual</b>	<b>Variance Actual to Q3 Working Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure:</b>				
General Fund Capital Expenditure	20,878	19,807	17,653	(2,154)
HRA Capital Expenditure	31,600	27,135	26,708	(427)
<b>Total Capital Expenditure</b>	<b>52,478</b>	<b>46,942</b>	<b>44,361</b>	<b>(2,581)</b>
<b>Resources Available for Capital Expenditure:</b>				
Capital Receipts	(10,111)	(9,320)	(9,343)	(23)
Capital Grants /Contributions	(16,095)	(12,589)	(10,687)	1,902
Capital Reserves	(283)	(246)	(116)	130
Revenue contributions	(367)	(354)	(237)	117
Major Repairs Reserve	(959)	(2,716)	(2,328)	388
<b>Total Resources Available</b>	<b>(27,814)</b>	<b>(25,225)</b>	<b>(22,712)</b>	<b>2,514</b>
<b>Capital Expenditure Requiring Borrowing</b>	<b>24,664</b>	<b>21,717</b>	<b>21,649</b>	<b>(68)</b>

4.2.3.2 The Treasury Management review of 2020/21 and Prudential Indicators have been updated to reflect changes to capital budgets which have been approved throughout the year. The actual capital expenditure for 2020/21 was reported to the Executive on 11 August 2021.

**4.2.4 The Council’s overall need to borrow and Capital Financing Requirement**

4.2.4.1 The Council’s underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). It represents the amount of debt it needs to/has taken out to fund the capital programme (and includes both internal and external borrowing). The CFR is then reduced as debt repayments are made and Minimum Revenue Provisions (MRP – see also section 4.2.6) are made. A separate CFR is calculated for the General Fund and Housing Revenue Account and any transfers of assets (such as land or buildings) between the two accounts will impact on each fund’s CFR. The CFR will go up on the fund “receiving” the assets and go down (by the same amount) on the fund “giving” the asset.

4.2.4.2 Cash balances enable the Council to use internal borrowing in line with its Capital Strategy and Treasury Management Strategy. This position is kept under review taking into account future cash balances and forecast borrowing rates. The apportionment of General Fund and HRA cash balances on 31 March 2021 is shown in the following chart, but Members should note that these cash balances relate in part to the restricted use right to buy “one for one” receipts (£9.5Million) and balances relating to Council Tax and NNDR (£12.2Million), and that there is forecast drawing down of £9Million from the NNDR earmarked reserve and the S31 Grants NDR reserve, reversing the position set out in paragraph 4.1.2.



4.2.4.3 As at the 31 March 2021 the Council had total external borrowing of £218.966 Million. The debt repayment profile is shown in the following table:

<b>Table four Maturity of Debt Portfolio for 2019/20 and 2020/21</b>		
<b>Time to maturity</b>	<b>31 March 2020 Actual £'000's</b>	<b>31 March 2021 Actual £'000's</b>
Maturing within one year	263	263
1 year or more and less than 2 years	263	263
2 years or more and less than 5 years	263	500
5 years or more and less than 10 years	39,156	49,656
10 years or more	169,284	168,284
<b>Total</b>	<b>209,229</b>	<b>218,966</b>

4.2.4.4 The General Fund had external borrowing of £2.282 Million with the Public Works Loan Board (PWLB). The HRA had external borrowing of £216.684 Million all held with the PWLB, of which £21.773 Million relates to the Decent Homes programme, £7.763 Million from pre 2012, £4.010 Million taken out in 2019/20 and a new loan of £10.0 Million taken out in year. The remainder of £194.911 Million relates to self- finance the payment made to central government in 2012.

4.2.4.5 In addition to the PWLB borrowing, the General Fund also has loans from the Local Enterprise Partnership (LEP) in relation to regeneration activities. The schedule as at the 31 March 2021 is set out below. Discussions took place with the LEP regarding making these re-investible loans for further regeneration of the town, rather than needing to be repaid on the dates originally agreed. As indicated in the table, the current position is that only £209K of the £7.279 Million received to date has a fixed repayment deadline, of 31/03/22.

<b>Table Five: LEP Loans</b>					
<b>Loan Received</b>	<b>Site Assembly</b>	<b>Land Assembly</b>	<b>SG1</b>	<b>Total</b>	<b>Repayment Date</b>
2015/16	762,488			762,488	208,795 by 31/03/22
2018/19	416,306			416,306	
2019/20		4,108,709		4,108,709	
2020/21		1,491,291	500,000	1,991,291	
<b>Total</b>	<b>1,178,794</b>	<b>5,600,000</b>	<b>500,000</b>	<b>7,278,794</b>	

4.2.4.6 The Council's CFR is one of the key prudential indicators and is shown in the following table.

<b>Table Six : Capital Financing Requirement 2019/20 and 2020/21</b>			
<b>CFR Calculation</b>	<b>31-Mar-20</b>	<b>31-Mar-21</b>	<b>Movement in Year</b>
	<b>(£'000)</b>	<b>(£'000)</b>	<b>(£'000)</b>
<b>Opening Balance</b>	<b>233,796</b>	<b>244,026</b>	
Closing Capital Financing Requirement (General Fund)	32,287	34,204	1,917
Closing Capital Financing Requirement (Housing Revenue Account)	211,739	232,597	20,858
<b>Closing Balance</b>	<b>244,026</b>	<b>266,801</b>	
<b>Increase/ (Decrease)</b>	<b>10,392</b>	<b>22,775</b>	<b>22,775</b>

4.2.4.7 The CFR for the HRA has increased by the capital expenditure financed by borrowing as set out in paragraph 4.2.4.1.

4.2.4.8 The General Fund's CFR has increased by £1.917 Million, due to;

- borrowing requirement of +£792K
- new LEP loans of +£1.991 Million
- less Minimum Revenue Provision (MRP) (see section 4.2.5) of -£276K
- loan repayments made in year totalling -£590K

#### 4.2.5 **Minimum Revenue Provision (MRP)**

4.2.5.1 The Prudential Code, by which the Council has to make its borrowing decisions, requires the Council to demonstrate that borrowing is required and affordable. The MRP is a statutory requirement to ensure borrowing is affordable for the General Fund and does not apply to the HRA (the HRA affordability is determined in the HRA BP). The Council is required to make annual MRP based on its policy approved by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years' borrowing requirement (regardless of whether that borrowing was internal or external) and the life of the asset for which the borrowing was required.

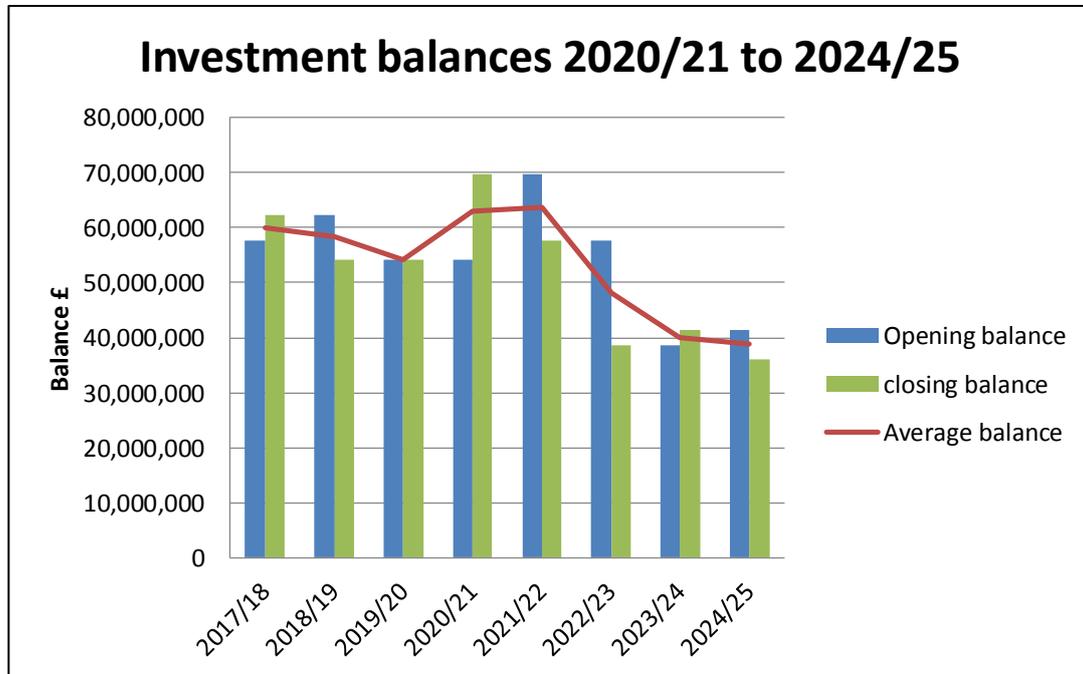
4.2.5.2 The MRP charged to the General Fund in 2020/21 was £275,775, of which

- £35,119 is funded from investment property
- £24,578 is funded by the Garage Improvements Programme
- £157,621 is a net cost to the General Fund
- £58,457 funded by principal loan repayments from Queensway\*

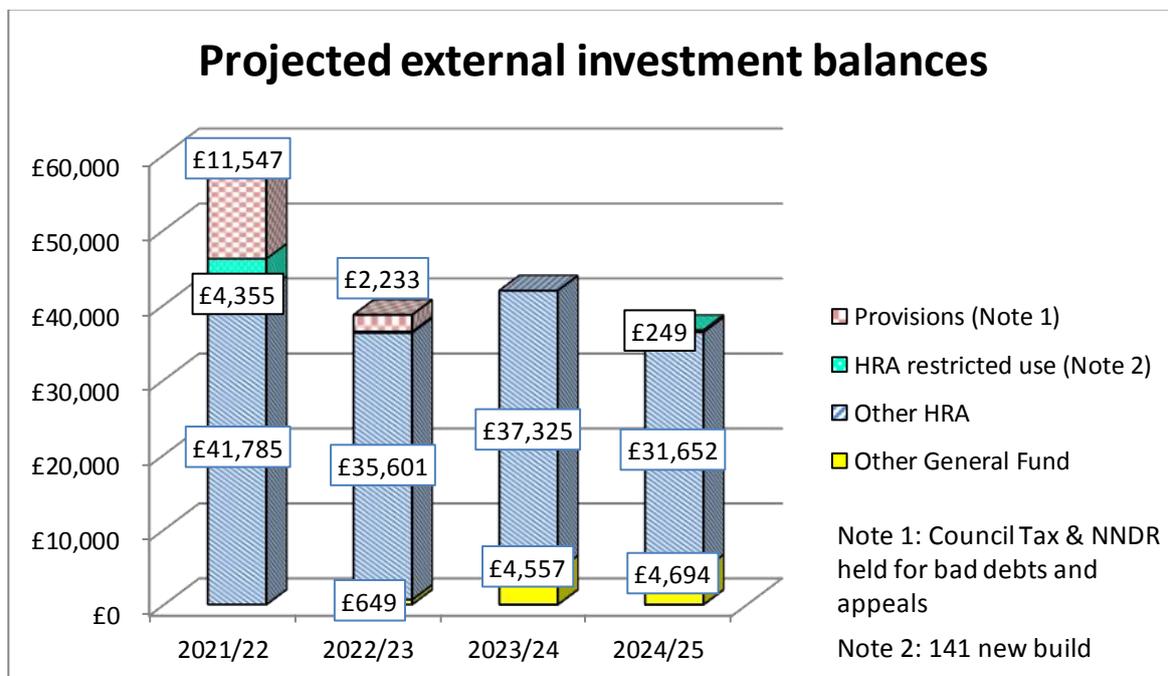
\*this is included as an accounting technicality only, there is no MRP cost to SBC relating to this loan

#### 4.2.6 **Cash Balances and Investment**

4.2.6.1 The restrictive use of a proportion of the cash balances set out in paragraph 4.2.4.2, plus the planned use of resources in line with the Council’s capital and revenue strategies, mean that these resources are not available for new expenditure. The following chart shows the historic level of balances and the projected position following the planned use to 2024/25.



4.2.6.2 The chart below shows the breakdown of the projected external investment balances.



4.2.6.3 In accordance with the Treasury Management Strategy approved by Council on 26 February 2020, the Council invests its surplus cash balances.

The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data and counterparty limits dependant on level of cash balances held.

- 4.2.6.4 There were no breaches to this policy in 2020/21 with the investment activity during the year conforming to the approved strategy. The Council had no liquidity difficulties and no funds were placed with the Debt Management Office (DMO) during 2020/21, demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively. It is possible that surplus funds borrowed during 2021/22 will be placed in the DMO temporarily, if PWLB borrowing rates are advantageous and cash balances due to the timing of taking out new loans would breach other counterparty limits.
- 4.2.6.5 The Specified and Non-Specified Investment Criteria (Appendix C) are also being reviewed with regards to other options available but not currently being utilised. Although included in the Treasury Limits (table 3), the Specified Investments (table 1) needs to be amended to allow Money Market Funds that are instant access or with notice periods of up to one year. Enhanced Cash Funds allow access to better rate money but typically have a notice period of up to three days. The CFO deems this a low risk investment therefore the change to the criteria is recommended.

#### 4.2.7 Other Prudential Indicators

- 4.2.7.1 The treasury management indicators for 2020/21 onwards have been updated based on the updated Capital Strategy approved by Council in February 2021 and subsequently updated in the 3<sup>rd</sup> quarter capital update reported to Executive in March 2021 and the 4<sup>th</sup> quarter (Outturn) capital update reported to Executive in August 2021.
- 4.2.7.2 The **net borrowing position** for the Council as at 31 March 2021 was **£149.266Million** (total external borrowings/loans of £218.966Million less total investments held of £69.700Million).
- 4.2.7.3 The **operational boundary** and **authorised limit** refers 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. **There were no breaches of either limit in 2020/21.**
- 4.2.7.4 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, Revenue Support Grant and retained business rates. The 2020/21 indicator is **4.27%**.
- 4.2.7.5 The full list of treasury prudential indicators is shown in Appendix A and has been updated for the 2020/21 outturn position and the revised 2021/22 capital programme.

## **4.3 OTHER ISSUES**

### **4.3.1 Operational and Authorised Borrowing Limits**

4.3.1.1 General Fund limits will be reviewed if necessary in the Mid-Year 2021/22 Treasury Management Strategy, due to go to Executive and Audit Committee in November 2021 and Council in December 2021.

4.3.1.2 HRA limits will be revisited as part of the HRA BP review to be reported to Executive in November 2021.

4.3.2 **Property Funds and Commercial Strategy.** As reported in the most recent Treasury Management Strategy, approved by Council in February 2021, Commercial investments (including investment properties), which are entered into primarily for gain by earning a positive net financial return are no longer permitted in the Capital Strategy, in order to access PWLB rates. Therefore this activity, and the borrowing requirement for it, are no longer included in the Prudential Indicators set out in Appendix A.

4.3.3 **UK Sovereign rating and investment criteria.** The UK sovereign rating could come under continued pressure from the impact of COVID and / or following the post-Brexit trade agreements agreed and their impact on the UK economy. The Council's investment criteria only use countries with a rating of AA- or above. Moody's UK Sovereign rating is Aa3 (AA-equivalent), the same as Fitch, while Standard & Poor's has it rated at AA. The UK rating remains exempt from the sovereign rating investment criteria so in this event if it were to result in the UK being downgraded below AA- it would not impact on the Council's ability to invest with UK institutions. Other investment criteria will be considered in this event to ensure security of funds for the Council.

4.3.4 **Queensway Properties LLP.** In December 2018 the Council entered into a 37 year agreement with Aviva to facilitate the regeneration of Queensway in the town centre. A separate legal entity, Queensway Properties LLP, was incorporated to manage the rental streams and costs associated with the scheme. The Council's treasury management team offered its services to the LLP to manage and invest its surplus cash flows through a service level agreement. No investment activities were undertaken on their behalf during 2020/21 (or at all to date).

## **5 IMPLICATIONS**

### **5.1 Financial Implications**

5.1.1 This report is of a financial nature and reviews the treasury management function for 2020/21. Any consequential financial impacts identified in the Capital strategy and Revenue budget monitoring reports have been incorporated into this report.

5.1.2 During the financial year Officers operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy

Statement and in compliance with the Council's Treasury Management Practices.

## **5.2 Legal Implications**

- 5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy are intended to ensure that the Council complies with relevant legislation and best practice.
- 5.2.2 The changes to PWLB borrowing arrangements as per paragraph 4.3.2, prohibiting access to PWLB where Council's retain commercial investments within their Capital Strategy, have been addressed and these activities removed.

## **5.3 Risk Implications**

- 5.3.1 The current policy of minimising external borrowing 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 take borrowing at higher rates which would increase revenue costs.
- 5.3.2 There remains uncertainty on the long-term implications of exiting the EU on the UK economy and borrowing rates. Officers monitor interest rate forecasts to inform the timing of borrowing decisions.
- 5.3.3 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.
- 5.3.4 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counter parties. These are designed to take into account the relative risk of investments and also to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

## **5.4 Equalities and Diversity Implications**

- 5.4.1 This report is technical in nature and there are no implications associated with equalities and diversity within this report. In addition to remaining within agreed counterparty rules, the council retains the discretion not to invest in countries that meet the minimum rating but where there are concerns over human rights issues. Counterparty rules will also be overlaid by any other ethical considerations from time to time as appropriate.
- 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.

## **5.5 Climate Change Implications**

- 5.5.1 The council's investment portfolio is sterling investments and not directly in companies. However the TM team continue to review the use of Money Market funds to ensure, where possible, money market funds that invest in environmentally sustainable companies are used. In this way the TM team aligns with the Councils ambition to attempt to be carbon neutral by 2030.

### **BACKGROUND PAPERS**

- BD1 Treasury Management Strategy including Prudential Code Indicators 2020/21 (Council 26 February 2020)
- BD2 Mid-year Treasury update (Council 16 December 2020)

### **APPENDICES**

- Appendix A Prudential Indicators
- Appendix B Investment and Borrowing Portfolio
- Appendix C Specified and Non-Specified Investment Criteria

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Appendix A		2020/21 Treasury Management Outturn								
Treasury Management Prudential Indicators										
	2020/21	2020/21	2020/21	2020/21	2021/22	2022/23	2023/24	2024/25		
<b>Capital Expenditure (Based on Capital Strategy Outturn 2020/21):</b>	<b>Original February 2020</b>	<b>Revised Mid year review 20-21</b>	<b>Revised Final Cap Feb 21 Exec</b>	<b>Actual</b>	<b>Revised Cap Outturn Aug 21 Exec</b>					
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
General Fund	20,429	35,271	20,878	17,653	20,296	20,251	26,127	14,795		
HRA	50,384	34,057	31,600	26,708	58,263	57,209	37,186	28,818		
<b>Total</b>	<b>70,813</b>	<b>69,328</b>	<b>52,478</b>	<b>44,361</b>	<b>78,559</b>	<b>77,460</b>	<b>63,314</b>	<b>43,613</b>		
<b>Ratio of financing costs to net revenue stream:</b>	<b>Original February 2020</b>	<b>Revised Mid year review 20-21</b>	<b>Revised Final Cap Feb 21 Exec</b>	<b>Actual</b>	<b>Revised Cap Outturn Aug 21 Exec</b>					
	%	%	%	%	%	%	%	%	%	
General Fund Capital Expenditure	6.43%	8.17%	4.14%	4.27%	4.90%	5.38%	6.26%	6.91%		
HRA Capital Expenditure	18.68%	15.93%	15.84%	15.19%	16.79%	17.30%	17.52%	16.57%		
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.										
<b>Authorised Limit for external debt</b>	<b>Original February 2020</b>	<b>Revised Mid year review 20-21</b>	<b>Revised Final Cap Feb 21 Exec</b>	<b>Actual</b>	<b>Revised Cap Outturn Aug 21 Exec</b>					
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Borrowing - General Fund	73,544	49,918	34,343	34,343	51,372	57,298	58,511	57,612		
Borrowing - Queensway residential		15,000	15,000	15,000	15,000	15,000	15,000	15,000		
Borrowing - HRA	247,627	245,474	245,474	245,474	270,144	285,784	297,764	297,764		
<b>Total</b>	<b>321,171</b>	<b>310,392</b>	<b>294,817</b>	<b>294,817</b>	<b>336,515</b>	<b>358,082</b>	<b>371,275</b>	<b>370,376</b>		
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 £8m headroom above the Operational Boundary (£2m General Fund and £6m HRA), which is in addition to our capital plans.										
<b>Operational Boundary for external debt</b>	<b>Original February 2020</b>	<b>Revised Mid year review 20-21</b>	<b>Revised Final Cap Feb 21 Exec</b>	<b>Actual</b>	<b>Revised Cap Outturn Aug 21 Exec</b>					
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Borrowing - General Fund	71,544	47,918	32,343	32,343	49,372	55,298	56,511	55,612		
Borrowing - Queensway residential		15,000	15,000	15,000	15,000	15,000	15,000	15,000		
Borrowing - HRA	241,627	239,474	239,474	239,474	264,144	279,784	291,764	291,764		
<b>Total</b>	<b>313,171</b>	<b>302,392</b>	<b>286,817</b>	<b>286,817</b>	<b>328,515</b>	<b>350,082</b>	<b>363,275</b>	<b>362,376</b>		
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 £7m headroom in addition to our capital plans (£5m General Fund and £2m HRA) plus the additional borrowing facility that may be drawn down by the Housing WOC.										
<b>Gross &amp; Net Debt</b>	<b>31/03/2021</b>	<b>31/03/2021</b>	<b>2020/21</b>	<b>31/03/2021</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>		
	<b>Original February 2020</b>	<b>Revised Mid year review 20-21</b>	<b>Revised Final Cap Feb 21 Exec</b>	<b>Actual</b>	<b>Revised Cap Outturn Aug 21 Exec</b>					
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Gross External Debt - General Fund	20,752	17,353	2,525	2,282	13,201	19,570	23,351	23,351		
Gross External Debt - HRA	235,033	230,487	230,487	216,684	246,231	261,871	273,851	273,851		
<b>Gross External Debt</b>	<b>255,785</b>	<b>247,840</b>	<b>233,012</b>	<b>218,966</b>	<b>259,432</b>	<b>281,441</b>	<b>297,203</b>	<b>297,203</b>		
Less Investments	(47,240)	(60,629)	(62,399)	(69,700)	(59,121)	(40,078)	(42,885)	(41,199)		
<b>Net Borrowing</b>	<b>208,545</b>	<b>187,211</b>	<b>170,613</b>	<b>149,266</b>	<b>200,311</b>	<b>241,363</b>	<b>254,318</b>	<b>256,004</b>		
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										
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.										
<b>Capital Financing Requirement</b>	<b>31/03/2021</b>	<b>31/03/2021</b>	<b>31/03/2021</b>	<b>31/03/2021</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>		
	<b>Original February 2020</b>	<b>Revised Mid year review 20-21</b>	<b>Revised Final Cap Feb 21 Exec</b>	<b>Actual</b>	<b>Revised Cap Outturn Aug 21 Exec</b>					
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Capital Financing Requirement GF	45,544	42,918	27,343	34,204	44,372	50,298	51,511	50,612		
Capital Financing Requirement HRA	239,627	237,474	237,474	232,597	262,144	277,784	289,764	289,764		
<b>Total Capital Financing Requirement</b>	<b>285,171</b>	<b>280,392</b>	<b>264,817</b>	<b>266,801</b>	<b>306,515</b>	<b>328,082</b>	<b>341,275</b>	<b>340,376</b>		
The Capital Financing Requirement (CFR) reflects the amount of money the Council would need to borrow to fund its capital programme. This is split between the Housing Revenue Account CFR (HRACFR) and the General Fund CFR (GFCFR).										

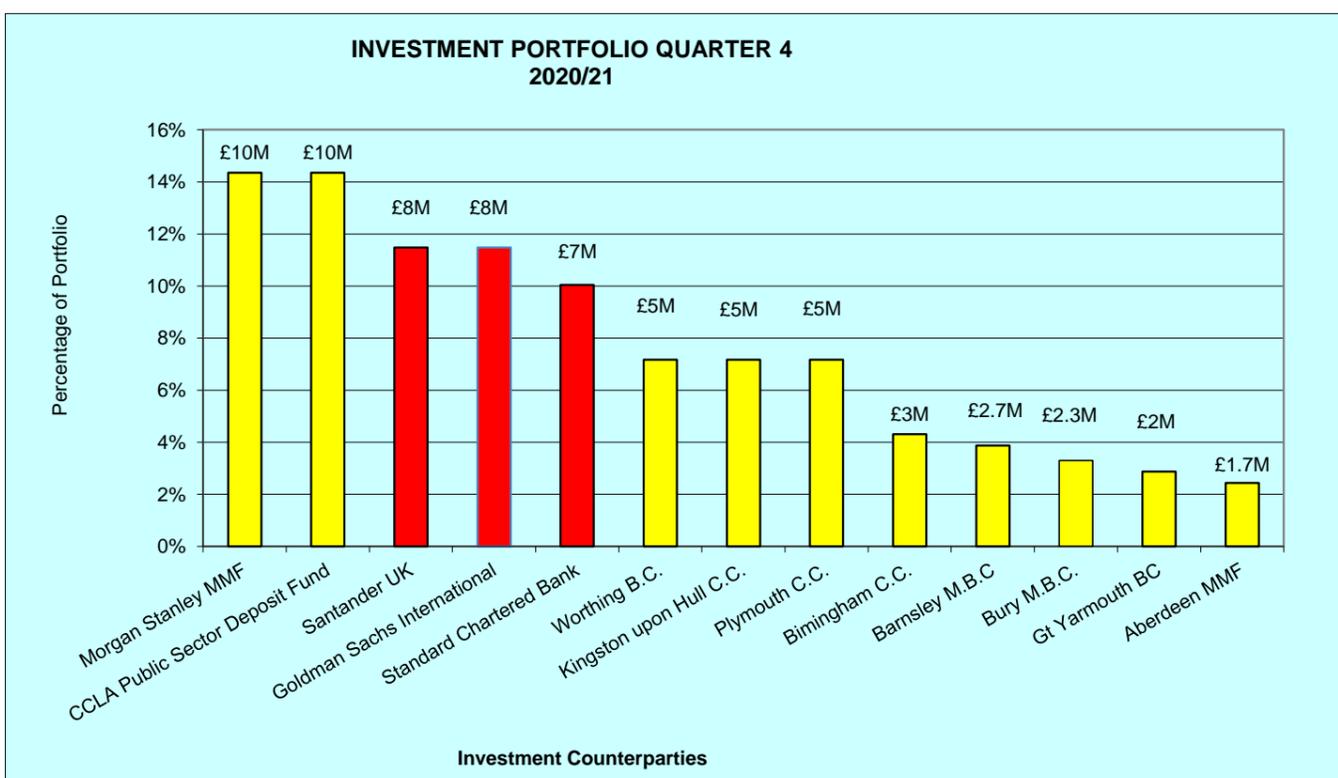
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**INVESTMENT PORTFOLIO QUARTER 4 (31st March 2021)**

**Appendix A**

Average interest rate - 2019/20	0.98%
Average interest rate - 2020/21	0.65%
Bank of England Bank Rate	0.10%

<u>Borrower</u>	<u>Nation</u>	<u>Sovereign Rating (Fitch)</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Rate %</u>
<b>Money Market Funds (Instant Access)</b>						
Morgan Stanley	UK	AA-	10,000,000			0.03
CCLA Public Sector Deposit Fund	UK	AA-	10,000,000			0.05
Aberdeen MMF	UK	AA-	1,700,000			0.01
<b>95 Day Notice</b>						
Standard Chartered Bank	UK	AA-	7,000,000			0.36
<b>Fixed Term Deposit</b>						
Birmingham C.C.	UK	AA-	3,000,000.00	15-Apr-20	14-Apr-21	1.15
Gt Yarmouth BC	UK	AA-	2,000,000.00	16-May-18	17-May-21	1.45
Santander UK	UK	AA-	8,000,000.00	31-Dec-20	30-Jun-21	0.30
Goldman Sachs International	UK	AA-	8,000,000.00	14-Jan-21	14-Jul-21	0.10
Barnsley M.B.C	UK	AA-	2,700,000.00	15-Sep-17	15-Sep-21	0.98
Kingston upon Hull C.C.	UK	AA-	5,000,000.00	28-Sep-20	27-Sep-21	0.32
Plymouth C.C.	UK	AA-	5,000,000.00	30-Nov-20	29-Nov-21	0.25
Worthing B.C.	UK	AA-	5,000,000.00	05-Dec-19	06-Dec-21	1.50
Bury M.B.C.	UK	AA-	2,300,000.00	18-May-20	18-Nov-24	2.00
			<b>69,700,000</b>			



**LOAN PORTFOLIO QUARTER 4 (31st March 2021)**

**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
PWLB	Fixed Rate/Maturity	1.72	510,000	25/03/2020	25/03/2045	25 Years
PWLB	Fixed Rate/Maturity	1.60	3,500,000	25/03/2020	25/03/2037	17 years
PWLB	Fixed Rate/Maturity	2.06	10,000,000	30/03/2021	30/03/1941	20 years
			<b>21,773,000</b>			

**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
			<b>194,911,000</b>			

**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	526,316	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
			<b>2,282,266</b>			

**Total Borrowing**

**218,966,266**

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

**2020/21 Treasury Management Outturn**

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	Maximum duration as per Treasury Advisor's (Capita's) colour coded Credit List, and less than one year
	Notice Account	Part-nationalised or Nationalised UK banking institutions (subject to regular reviews of government share percentage).	
	Short Term Deposit		
Debt Management Office or UK Local Authority	Any deposit	No limit.	
Money Market Funds	Instant Access or with Notice	AAA rated	Instant Access or notice period up to one year

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 £10M
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 £10M 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.

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