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AUDIT COMMITTEE

Date: Thursday, 10 September 2020
Time: 6.00pm
Location: Virtual (via Zoom)
Contact: Ian Gourlay (01438) 242703
committees@stevenage.gov.uk

Members: Councillors: T Callaghan (Chair), J Gardner (Vice-Chair), S Barr, S Booth, L Chester, D Cullen, L Kelly and G Lawrence.
Independent Member: Mr G Gibbs.

AGENDA

PART 1

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 9 JUNE 2020

To approve as a correct record the Minutes of the meeting of the Committee held on 9 June 2020.
Pages 3 – 8

3. SHARED ANTI-FRAUD SERVICES (SAFS) ANTI-FRAUD REPORT 2019/20 AND PROGRESS WITH DELIVERY OF 2020/21 ANTI-FRAUD PLAN

To consider the SAFS Anti-Fraud Report 2019/20 and a verbal update on progress with delivery of the 2020/21 Anti-Fraud Plan.
Pages 9 – 62

4. JOINT ICT INVESTMENT STRATEGY - PRESENTATION ON PROGRESS

To consider a presentation providing a progress update on the Joint ICT Strategy.

5. ANNUAL TREASURY MANAGEMENT REVIEW OF 2019/20 INCLUDING PRUDENTIAL CODE

To consider the Annual Treasury Management Review of 2019/20, including the Prudential Code.
Pages 63 – 80

6. URGENT PART 1 BUSINESS

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

7. 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.

8. PART II MINUTES - AUDIT COMMITTEE - 9 JUNE 2020

To approve as correct record the Part II Minutes of the meeting of the Audit Committee held on 9 June 2020.
Pages 81 - 82

9. QUEENSWAY NORTH PROJECT - FINANCIAL RISKS

To consider and update report on financial risks associated with the Queensway North project.
Pages 83 - 108

10. STRATEGIC RISK REGISTER

To note the latest Strategic Risk Register for Stevenage Borough Council, and to note developments on risk management issues.
Pages 109 - 140

11. URGENT PART II BUSINESS

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

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 9 June 2020

Time: 6.00pm

Place: Virtual (via Zoom)

Present: Councillors: Teresa Callaghan (Chair), John Gardner (Vice-Chair), Sandra Barr, Stephen Booth, Laurie Chester, Lizzy Kelly and Graham Lawrence
Mr Geoffrey Gibbs (Independent Co-opted Member)

Start / End Time: Start Time: 6.00pm
End Time: 8.15pm

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

There were no apologies for absence.

There were no declarations of interest.

The new Chair conveyed Councillor Maureen McKay's gratitude for Members' support during her time on the Audit Committee. A Member requested that individual agenda reports be bound separately.

2 **MINUTES - 3 FEBRUARY 2020**

It was **RESOLVED** that the Minutes of the Audit Committee meeting held on 3 February 2020 be approved as a correct record and signed by the Chair.

3 **TERMS OF REFERENCE**

It was **RESOLVED** that the Terms of Reference for the Audit Committee, as agreed by the Annual Council meeting on 20 May 2020, be noted.

4 **PUBLIC SECTOR AUDIT APPOINTMENTS (PSAA) ANNUAL AUDIT FEE LETTER**

Strategic Director (CF) updated Members on the Public Sector Audit Appointments (PSAA) annual audit fee letter. The PSAA letter highlighted a change from the previous practice of audit firms contacting bodies directly and the significant pressures on audit fees. PSAA acknowledged that there would be fee variations due to turbulence and changes in the local audit environment.

Members expressed concerns regarding variations in scale fees indicated in the PSAA letter and those quoted by the external auditor (Ernst & Young). The Strategic Director informed the Committee that several reviews relating to market

pressures had been carried out. Market pressures were affecting E&Y and other audit firms. She assured Members that she would be responding to the PSAA annual audit fee letter. It was noted that the fees for SBC appeared to be at the higher end of scale fees relative to fees for other local authorities in Hertfordshire.

It was **RESOLVED** that the Annual Audit Fee Letter for 2020/21 from Public Sector Audit Appointments (PSAA) dated 30 April 2020 be noted.

5 **EXTERNAL AUDIT PLANNING REPORT 2019/20**

The Associate Partner (E&Y) presented the External Audit Planning Report for 2019/20. The report included an overview of E&Y's 2019/20 audit strategy, audit risks, value for money risks, audit materiality and scope of the audit.

Members expressed concerns regarding the significant difference between PSAA scale fees and the quote from Ernst & Young (E&Y). The Committee also sought clarification on the following:

- External audit procurement process
- Volatility of SBC relative to other local authorities
- Resource challenges at E&Y
- Impact of Covid-19 on the national economy

The Committee noted that the Council had accommodated audit delays relating to resources issues at E&Y in the previous financial year. It was acknowledged that all sectors of the economy would be affected by Covid-19 pandemic.

In response to Members' questions, the Associate Partner (E&Y) replied:

- The majority of local authorities were facing financial pressures due to responses to the Covid-19 pandemic. Auditors had to take this into consideration in their assessments
- SBC was in a relatively more volatile position due to the swift and wide-ranging response to the pandemic. The Council had suffered significant losses of income
- E&Y had been open about resources issues. Specialist resources were drawn in to work on the complex arrangements at Queensway LLP
- E&Y carried out representative sample testing to ensure that the definition of capital receipts was met
- The assessment on whether SBC was a going concern referred to a period of 12 months

Strategic Director (CF) informed the Committee that:

- The Council was quick in identifying the impact of Covid-19 on finances
- Monitoring measures had been put in place and Executive received regular updates
- Review of the Medium Term Financial Strategy and Impact of Covid-19 on the Council's General Fund Revenue Budget were on the agenda of the 10 June meeting of the Executive
- The Council set de minimis levels to distinguish capital from revenue spending
- It would be difficult for Councils to cope unless the Government provided additional financial support. SBC continued to work with other local authorities to lobby the Government
- Confidence in the competency of staff was high and therefore the risk of miscalculation of capital receipts as revenue was low
- SBC was not involved in wholesale commercial property assets sales. Therefore the risk associated with valuation of market-based property assets was not significant. This issue had been raised with E&Y in the past
- SBC was not at a point of issuing a section 114 Notice and therefore it was a going concern. The Council had taken measures to mitigate risks relating to Covid-19

It was **RESOLVED** that Ernst & Young's External Audit Planning report for 2019/20 be noted.

6 **PROPOSED SHARED ANTI-FRAUD SERVICE (SAFS) ANTI-FRAUD PLAN 2020/21**

The Head of Service (Shared Anti-Fraud Service) presented the proposed Shared Anti-Fraud Service (SAFS) Plan 2020/21.

The Head of Service (SAFS) informed the Committee that following the announcement of lockdown measures, SAFS had reviewed its business-as-usual procedures and suspended some services. All officers worked remotely and they were still able to provide rapid response to threats. SAFS provided advice and raised alerts for threats relating to Covid-19 business support measures. The service also raised awareness about increased cyber-attack risks due to remote working arrangements during the Covid-19 pandemic. SAFS shared information relating to internet scams and phishing with local authorities and Government bodies such as HMRC and Action Fraud.

The Head of Service (SAFS) indicated that the Anti-Fraud Plan 2020/21 had been

compiled using a Fighting Fraud & Corruption Locally Strategy that has since been updated. The Head of Service stated that the new Fighting Fraud & Corruption Locally Strategy and CIPFA 2020 Report - Perspectives on Fraud would be circulated to Members.

In response to questions, the Head of Service (SAFS) stated there was a focus on preventing fraud. Fraud had financial and/or reputational impact on individuals and organisations.

Strategic Director (CF) informed the Committee that the Department for Work and Pensions (DWP) had the remit for housing benefit fraud.

It was **RESOLVED** that the SAFS/SBC Anti-Fraud Plan 2020/2021 be approved.

7 **SIAS INTERNAL AUDIT PLAN 2020/21**

The SIAS Client Audit Manager presented the proposed Stevenage Borough Council Internal Audit Plan 2020/21. The Committee were advised about the impact of COVID-19 on Audit Plan delivery. In response to a question, the SIAS Client Audit Manager indicated that SIAS would liaise with senior managers about prioritising audits for the remainder of 2020/21. Changes to the Audit Plan would be brought to the Committee's attention in future SIAS Progress Reports.

It was **RESOLVED** that the proposed Stevenage Borough Council Internal Audit Plan for 2020/21 be approved.

8 **ANNUAL ASSURANCE STATEMENT AND ANNUAL REPORT 2019/20**

The SIAS Client Audit Manager presented the Stevenage Borough Council Annual Assurance Statement and Annual Report 2019/20.

It was **RESOLVED**:

1. That the Annual Assurance Statement and Internal Audit Report be noted.
2. That the results of the self-assessment required by the Public Sector Internal Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted.
3. That the SIAS Audit Charter 2020/21 be accepted.
4. That management assurance be given that the scope and resources for internal audit were not subject to inappropriate limitations in 2019/20.

9 **ANNUAL GOVERNANCE STATEMENT 2019/20 AND LOCAL CODE OF CORPORATE GOVERNANCE**

The Corporate Performance and Improvement Officer reported that preparations for the drafting of the Annual Governance Statement 2019/20 had been affected by the Covid-19 pandemic. The Governance Statement would be updated for a review at

the November Audit Committee meeting. The Planned Improvement Activity for 2020/21 included a number of high level strategic risks. Seven of the actions on the Improvement Plan had been carried over from 2019/20. The Plan had three new actions relating to the governance structure for the corporate landlord function, commercial agenda and Covid-19 recovery.

The Corporate Performance and Improvement Officer confirmed that Service Governance Actions had been submitted by Assistant Directors. Strategic Directors and the Chief Executive received progress updates on the actions at Senior Leadership Team (SLT) meetings. In some cases, actions that were common to multiple service areas were classified as corporate actions. The Corporate Performance and Improvement Officer also highlighted the recommendation for an annual review of the Council's Local Code of Corporate Governance.

It was **RESOLVED**:

- 1 That the Council's 2019/20 Annual Governance Statement, attached as Appendix One, be recommended for approval by the Statement of Accounts Committee.
- 2 That changes to the Council's Local Code of Corporate Governance, attached at Appendix Two, be approved.

10 **URGENT PART 1 BUSINESS**

None.

11 **EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED** that:

1. Under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following 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. 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.

12 **STRATEGIC RISK REGISTER**

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

It was **RESOLVED**:

1. That the latest Strategic Risk Register (set out in Appendices A1 – A3 to the report) be noted.

2. That developments on risk management issues be noted.

13 **URGENT PART II BUSINESS**

None.

CHAIR



Stevenage Borough Council

Anti-Fraud Report 2019/20

Recommendation

Members are recommended to:

- Review the Councils work to combat fraud in 2019/20
- Review the performance of SAFS in meeting its KPIs in 2019/20

Contents

- 1 Introduction and Background**
- 2 Delivery of the 2019/20 Anti-Fraud Plan**
- 3 SAFS Joint Review/ Internal Audit**
- 4 Transparency Code- Fraud Data**

Appendices

- A. Fighting Fraud and Corruption Locally a Strategy for the 2020s
- B. Anti-Fraud Plan 2019/20
- C. Delivery of the Fraud Plan 2019/20
- D. Fraud Statistics 2019/2020

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 2019/20. The Committee are asked to note this work.

Recent reports have been provided to Council officers and are being used by SAFS to ensure that the Council is aware of its own fraud risks and is finding ways to mitigate or manage these effectively wherever possible.

These reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020s published in partnership by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Credit Industry Fraud Avoidance Service (CIFAS), the Local Government Association (LGA) and the Society of Local Authority Chief Executives (SOLACE) in March 2020. This is the first time that such a publication has had this level of support across the counter fraud in local government. See **Appendix A** for a copy of the Strategy.

Perspectives on Fraud- Insights from Local Government. In 2019 CIPFA commissioned a survey and round table events for senior managers in local government to establish what local authorities were doing to tackling fraud. The survey was conducted by an independent body with the support of LGA & MHCLG.

CIPFAs *Fraud and Corruption Tracker 2019* indicates that fraud risks had increased since 2016 but that counter fraud capacity within councils had reduced, and would continue to do so, placing local government at even greater risk.

The Governments *United Kingdom Anti-Corruption Strategy 2017-2022* includes the vision and priorities for dealing with and reducing the risk of corruption within the UK private, public & charity sectors and when working with organisations /companies/government agencies abroad.

1. Background

- 1.2 According to reports from CIPFA, the 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.
- 1.3 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 Councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver savings through prevention.
- 1.4 It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, and plans to deal with the investigation and prosecution of identified fraud.
- 1.5 Stevenage Borough Council (the Council) is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has previously received detailed reports about the creation of SAFS and how this service works closely with the Shared Internal Audit Service (SIAS).

2. SAFS Activity 2019/20 & Delivery of the 2019/20 Anti-Fraud Plan

The Plan

- 2.1 This committee reviewed and commented on the Councils Anti-Fraud Plan for 2019/20 at its meeting in March 2019. A copy of the Plan can be found at **Appendix B**.
- 2.2 The plan was proposed by SAFS and agreed and approved by senior officers within the Council. Delivery of the plan is very much a partnership between officers across the Council with key roles and SAFS providing expertise and operational support where required.
- 2.3 We are very pleased to report that all actions proposed for the 2019/20 Anti-Fraud Plan commenced in year with the vast majority being completed in-year. Where actions were incomplete they have been carried into the current years (2020/21) plan. Delivery of the 2019/20 plan can be found at **Appendix C**

Staffing

- 2.3 The SAFS Team (in April 2019) was composed of 18 accredited and trained counter fraud staff based at Hertfordshire County Councils offices in Stevenage.

2.4 Each SAFS partner receives dedicated support by the allocation of officers to work exclusively for each partner whilst allowing all officers within the Team to work with different partners from time to time. Providing the service this way allows officers to develop good working relationships with council officers whilst providing resilience and flexibility across the partnership as a whole.

2.5 In 2019/20 SAFS deployed one member of staff to work for the Council. This officer was supported by SAFS management and the SAFS intelligence team, data-analytics and an Accredited Financial Investigator. SAFS officers have access to Council offices, officers and systems to conduct their work. SAFS also support and direct the work of the Councils in-house Tenancy Fraud Investigator.

2.6 As part of the Councils Anti-Fraud Plan for 2019/20 a number of KPIs were agreed with SAFS to measure its performance, these are shown below with outcomes.

KPI	Measure	Target 2019/2020	PROGRESS TOMARCH 2020	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.	Fees to SAFS £81.6k. SAFS identified £222k in loss/savings. CTR Review identified £95k in Council Tax. NFI identified £184k in savings.	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 Stevenage Borough Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Corporate Governance Groups.	A. FTE in post B. AC reports included in Fwd Plan. C. Meetings and liaison ongoing	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 C. Provide compliance for 'Joint Working' with DWP/FES	A&B. Current performance 1 day on average for all referrals. C. JW with DWP in place	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in E. Provide support to in-house TF Officer	A&B. NAFN/ CIPFA Membership. C. NAFN non-fraud training offered D. Training events being organised with HR. E. Liaison in place with Hsng Mgt to support TF role.	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. 100 - Fraud referrals from all sources to SAFS B. 60% of cases investigated and closed in year C. 12 Social homes secured from sub-letting or other unlawful tenancy breaches. D. 100% Review of RTB Application.	A. Referrals to end September- 156 B. 48% (45 cases closed) C. 7 D. 100%	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. Implement the Herts FraudHub for the Council. B. Complete NFI 2018/2019 Reports	A. SBC in final tranche for joining the Hub in 2020. B. NFI Review ongoing and progressing well	Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

2.7 Although 5B was some way short of the 60% target agreed we still feel that a 48% success rate compares favourably to the clear up rates for crime nationally which the police reported at 7.9% in July 2019.

2.8 KPI 6A&B were also incomplete at year end but we are working with Council officers to resolve these in 2020/21.

Fraud Awareness and Reported Fraud

2.9 A key aim for the Council is to create an anti-fraud culture, that encourages senior managers and members to consider the risk of fraud when developing policies or processes, this will help to prevent fraud occurring; deter potential fraud through external communication and; encourage staff and the public to report fraud where it is suspected.

2.10 In 2019/20 the Council commenced a review of all anti-fraud and corruption policies including those on anti-bribery and whistleblowing and the latest version of these will be published later in 2020.

2.11 The Council's website includes pages on how fraud affects the Council including the following pages <http://www.stevenage.gov.uk/about-the-council/tenders-and-contracts/84493/> and <http://www.stevenage.gov.uk/benefits/25786/> .The website has links for the public to report fraud and links 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.

2.9 Council staff can use the same methods to report fraud, or they can report fraud directly to SAFS staff working at the Council. Working with the Councils HR service SAFS have delivered an anti-fraud and corruption e-training package for staff and this is being linked to the Councils latest anti-fraud policies in 2020.

2.10 During 2019/20 SAFS received 156 allegations of fraud affecting Council services.

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

Council Tax Discount/ Housing Benefit	Housing	Blue Badge Abuse	Other*	Total
82	63	7	4	156

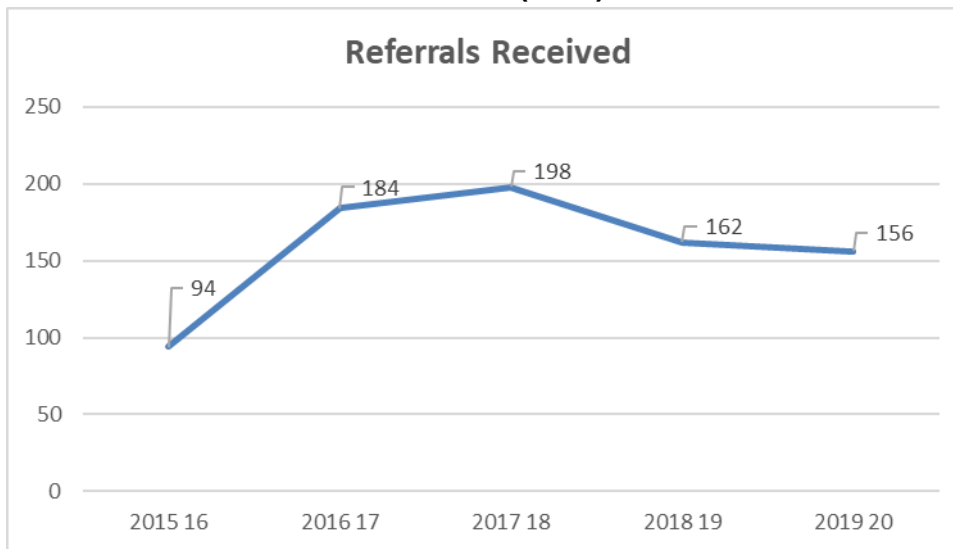
*Other 1 NNDR & 1 Mandate

Table 2. Who is reporting Fraud

Fraud Reported by Staff	Reports from Public	Data- Matching/ Proactive Investigations	Other	Total
61	47	48	0	156

2.11 In comparison to other SAFS Partners reporting of fraud in Stevenage tends to be slightly higher than elsewhere. The volume of reported fraud in 2019/20 reduced slightly on the previous year but the number does tend to fluctuate each year. SAFS regularly review this data to see if there are any trends or concerns for the lower reporting rate and this is shared with officers.

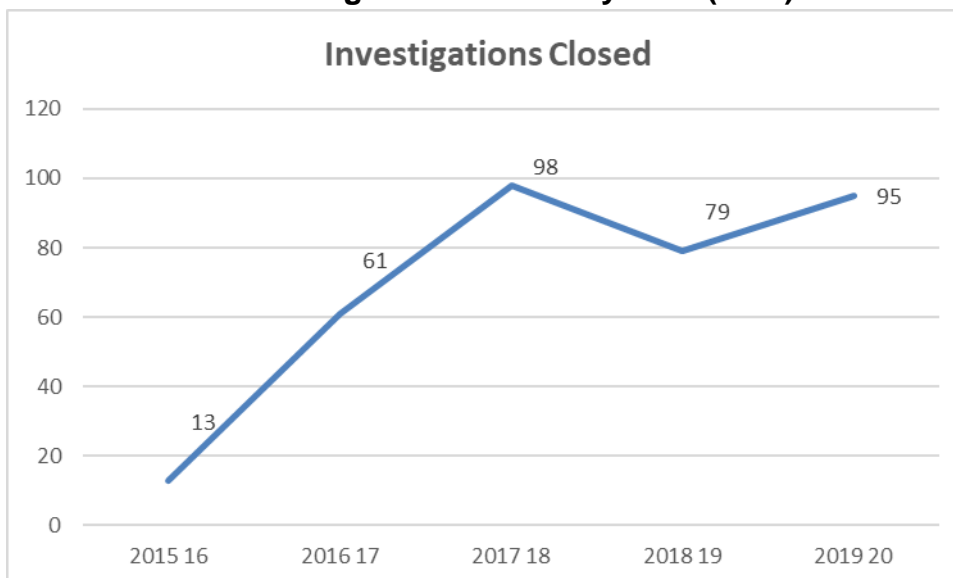
Table 3. Historic Fraud Referrals (SBC)



Investigation and Prevention Activity

2.12 At this time many cases raised for investigation are still in the early stages. However, of 95 cases investigated and closed in the year 45 identified fraud with recoverable losses of £120,000 and savings or new revenue (through prevention activity) of £102,000 being recorded. A further 12 cases of alleged fraud compliance action, advice or warning letters were issued rather than full investigations. See **Appendix D** for a breakdown of all cases reported and investigated in 2019/20. At year end 82 cases remained under investigation.

Table 4. Fraud Investigations Closed by Year (SBC)



2.13 As well as the financial values identified SAFS has worked with the Shared Revenue and Benefit Service to apply financial penalties as alternatives to prosecution where lower level fraud affecting Council Tax Discounts is uncovered. Financial penalties were applied on 5 occasions in 2019/20. But, in

more serious cases of fraud prosecution is still considered by the Council or agencies that the Council works with to prevent and deter fraud.

Case Study 1:

Following an allegation about a separate matter during a formal interview a claimant mentioned that her daughter had commenced work. Enquiries with the council revealed that this employment had not been declared and she was interviewed under caution regarding this new matter. The claimant admitted that due to difficult personal circumstances she found herself in at that time she may have failed to update the council but this was unintentional. She stated she now had a job and was no longer on benefits so was able to pay the overpayment. Having reviewed the claimants circumstances the claimant was offered an administrative penalty as an alternative to prosecution which was signed and accepted on the 20th November 2019.

In another case referred to the Shared Anti-Fraud Service in February 2019. Following a discussion with the council a claimant had advised that he was living off his father inheritance. The council requested further information but the claimant failed to respond and his benefits were suspended. Evidence of the inheritance was obtained and an overpayment was generated. The claimant was interviewed under caution for failing to notify a change in circumstances. The claimant stated that he did not declare the inheritance as he did not see this as an income he needed to declare and stated that he did not intend to defraud the council. An administrative penalty was offered to the claimant which was signed and accepted on the 17th December 2019.

Case study 2:

A Stevenage resident had claimed council tax support (CTS) and housing benefit (HB) from 2013 based on a low income. A referral received from the DWP alleged that the claimant had failed to declare that he was in employment.

A joint investigation with the DWP confirmed that claimant has commenced work sometime prior to 2013 and had not declared this to the Council or the DWP and continued claiming benefit based on the circumstances and income declared since 2013. The defendant declined to be interviewed or assist in anyway with the investigation.

Overpayments of benefit were calculated as £3,800 HB, £725 CTS and just under £7,000 in DWP welfare benefits.

The CPS have accepted this case and claimant is due to appear in court in July 2019 but the defendant failed to attend, was subsequently arrested and brought to court on 9th October 2019 where he pleaded guilty to all charges. The defendant received a community penalty and as well as being ordered to repay all the benefits overpaid was ordered pay the prosecution costs.

- 2.14 The vast majority of the investigation work for SAFS involves housing services, housing benefit and council tax discounts. SAFS works very closely with officers from the Council and the Department for Work and Pensions to ensure that all cases involving welfare benefits are jointly worked in accordance with a national framework. In 2019/20 significant delays were encountered working with the DWP as their staff were redeployed to other areas and a number of cases have been carried into 2020.

Case study 3:

A referral received from the shared revenue and benefits (R&B) team in April 2019 stated that a Stevenage Borough Council tenant had died in February 2019. The R&B team had received a call from the late tenant's son in April 2019 stating that he had moved in with his father to care for him and requested the council tax was placed in his name.

Checks with national systems confirmed that the tenant had passed away, the tenancy being in their sole name and the tenant the only resident at the address for some years.

On checking Councils housing systems there was no notification of the tenant's death recorded. A letter, purportedly signed by the deceased tenant and dated February 2019, was not received until March 2019, requesting the tenant's son was added to the household. Correspondence was issued to the tenant in April 2019 requesting ID and proof of residency for the son before he could be added.

The son responded to this request claiming he had been residing at address for more than 12 months. Further investigation revealed that the son had in fact been resident and was still liable for council tax at a property in Bracknell.

Once the investigation had concluded the son completed a termination form and returned the keys. Once recovered the three bedroom house property was rented to a family who had previously been waiting on the housing register.

- 2.15 In March 2020 as part of the Governments response to the Covid-19 pandemic funding to support small businesses was provided via local councils. SAFS worked closely with Council officers at the time to provide assurance with pre-payment checks of all applications received and, is now providing a post payment assurance piece. Members of this committee received a detailed report on this work at its May 2020 meeting. As a result of the initial work one grant applications has been investigated for suspected fraud.
- 2.16 SAFS assist the Councils Civil Enforcement Officers (CEOs) in the prevention, detection and prosecution of blue badge misuse in the Councils car parks. In 2019 officers from the Council and SAFS engaged in a countywide blue badge abuse campaign which resulted in several misused badges being inspected and seized.
- 2.17 In November 2019 the Councils Communication Team, along with other SAFS Partners, took part in the *International Fraud Awareness Week* through a social media campaign explaining to the public the impact of fraud on the Council's finances as well as how the public can protect themselves against fraud.
- 2.18 The Council made use of the county wide Council Tax Review Framework in 2019/20 conducting a review of all single person discounts claimed by residents across the District and although we are still awaiting the final report an estimated additional £90,000 in council tax was identified in 2019/20.
- 2.19 The Council has yet to fully comply with the statutory requirement of the National Fraud Initiative (NFI) 2018, however the vast majority of the high risk/priority matches have been fully reviewed and resolved. The NFI is a national anti-fraud exercise conducted by the Cabinet office every two years across local and central government. SAFS supports this work with Council

officers responsible for the review of data-matches. Table 3. Below shows progress with this work in 2019/20, these statistics are in addition to these reported above and are shown at **Appendix D**.

Table 3. NFI Activity

Total Matches received 2018/19	High Priority Matches	Matches Reviewed at 31.3.2020	Matches Not Actioned or OS at 31.3.2020	Total
2,080	316	161	1919	£184,211

- 2.20 In May 2019 the SAFS Partnership won the award for ‘Overall Contribution’ to combatting fraud from the Fighting Fraud and Corruption Locally Board at its annual conference hosted by CIPFA and in December 2019 won the ‘Outstanding Partnership’ at the inaugural Tackling Economic Crime Awards.

TECAs Awards December 2019

The winners of the first-ever Tackling Economic Crime Awards were announced on Monday 9th December at the Sheraton Grand London Park Lane where 250 representatives from the financial crime sector were in attendance. The winners were selected from an esteemed panel of judges and the awards were presented in 13 categories to public, private and third sector organisations and individuals who had made a significant impact in desisting all areas of economic crime.

Professor Martin Gill, founder of the TECAs, commented:

“It’s a great honour to be able to play a part in recognising the achievements of so many outstanding players in this sector. All the finalists and especially the winners should be proud. The judging process is strict and robust; each judge marks independently against a set of criteria, and they commit to declaring any conflict of interest. Each entry must achieve a fixed score threshold to become a finalist, ensuring consistent quality across the competition; which means all the finalists – individuals, teams and companies represent outstanding performance of the highest level.”

Outstanding Partnership – Hertfordshire Shared Anti-Fraud Service

The Hertfordshire Shared Anti-Fraud Service (SAFS) deals with the growing threat of fraud to local government. Set up in 2015, the partnership utilises local government funding to increase effectiveness in preventing and detecting fraud. The partnership includes seven councils across Hertfordshire and Bedfordshire and a number of social housing providers. The SAFS team members are all fully accredited and trained. The service has received 4,000 fraud referrals in the last four years and successfully investigated more than 1,500 individual cases, been responsible for 60 successful prosecutions and recovered more than 90 social homes as well as saving in excess of £15m in public funds across numerous council services.

3. SAFS Internal Audit 2019/20

- 3.1 It was agreed by the SAFS Board that in 2019/20 the Service would part of a Joint Review Audit, as part of the Shared Internal Audit Service (SIAS) 2019/20 Audit Plan, for all SAFS partners. The primary aim of the review was to provide assurance that the key objectives of SAFS are being achieved.

- 3.2 The final report for the 2019/20 Internal Audit Review of the Shared Anti-Fraud Service conducted by SIAS/BDO was provided to the SAFS Board on 27 May 2020. SAFS Management was very pleased to receive a ‘Good’ level of

assurance from this report and the positive feedback provided by board members.

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 also recommends that local authorities follow guidance provided in the following reports/documents:

CIPFA: *Fighting Fraud Locally Strategy*

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

The National Fraud Strategy: *Fighting Fraud Together*

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

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

(<http://www.cipfa.org/->

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

4.3 The Code requires that Local Authorities publish the following data in relation to Fraud. The response for *Stevenage Borough Council* for 2019/2020 is in **Bold**:

- 3 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.

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

2.5 FTE

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

2.5 FTE

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

£142,000

- 7 Total number of fraud cases investigated.

95 Cases investigated and closed in year

4.4 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.

45

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

£120,000 of fraud losses & £102,000 of fraud savings identified in year (a further £184,000 in savings was identified through the NFI and & 90,000 from a review of council tax liability).

Fighting Fraud and Corruption Locally

A strategy for the 2020s

A response to economic crime and fraud



With support from:



This is the third Fighting Fraud and Corruption Locally Strategy, produced by local government for local government.

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Foreword

— Richard Watts



Since the first strategy was produced in 2011 councils have faced significant financial challenges. Councils have innovated, collaborated and prioritised in order to meet the financial challenge and to protect front line services. Tackling the threat of fraud and corruption has been and continues to be a cornerstone of protecting council finances and enabling them to maximise the value of every pound spent on behalf of local residents.

Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant. Councils have a good record in countering fraud and the strategy contains numerous case studies and examples of successes.

As the strategy highlights, it is estimated that about one in three of all crimes committed nationally is fraud based and fraudsters are always seeking new ways to take money. The strategy also highlights that potential losses to fraud could run into hundreds of millions or even billions of pounds if preventative action is not

taken. Councils need to be agile and work together with national agencies and the Government to respond to new fraud threats, to prevent losses and to protect vulnerable people in our society. Collaboration to counter and prevent fraud is a theme running through the strategy.

The Fighting Fraud and Corruption Locally Strategy is an excellent example of how councils can come together for the overall benefit of local services and residents served. The strategy has been led by the Fighting Fraud and Corruption Locally Board. This Board has been described as “a coalition of the willing”. It is a group of senior multi-disciplinary experts from councils working together with partners, that work with the councils on counter fraud activities. The Board is currently chaired by a representative from the Society of Local Authority Chief Executives (SOLACE). The Board members and the organisations they come from all provide their expertise on a pro bono basis, for the benefit of the sector and to help counter fraud. The board is supported by the LGA. In carrying out the research to draft this new strategy, the board has run several workshops up and down the country that have been attended by representatives from more than 250 councils. The work of all these people is reflected in the strategy and our thanks are due to all of them.

The strategy outlines, outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. Section four of the strategy outlines a practical programme and checklist for individual councils to follow.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work in the 2020s.

Cllr Richard Watts
Chair Resources Board, Local
Government Association
Leader Islington Council

Foreword

— Mike Haley



As the Chair of the Joint Fraud Taskforce I am delighted to support The Fighting Fraud and Corruption Locally 2020 strategy at a time when incidences of fraud and corruption are rising and there is an identified need for councils and their leaders to adopt a robust response.

Having worked as a fraud investigator I understand the importance of collaborative working and of having a structure and framework that guides and governs counter fraud and associated corruption activities.

Through working together and applying the principles of this strategy I am convinced that, perhaps for the first time, we have a model for true collaboration that is so important in identifying fraudsters, often organised groups, who seek to undermine and take financial advantage of systemic vulnerabilities and abuse those citizens in our community who are in themselves vulnerable.

I recognise the challenge that we all face in having to balance demands on resource across essential services at a time when funding is constrained. However, I also recognise the important role that local authorities and their frontline services play in tackling fraud and corruption that are a drain on those resources. Savings through enforcement and bringing fraudsters to justice can be used to support our social services and can build stronger and safer communities.

I am convinced that this strategy is an important step in tackling fraud and corruption that is so corrosive to society. In my role as Chair of the Joint Fraud Taskforce I welcome my local authority colleagues. By working together, I am convinced that we can deliver a step change in tackling fraud.

Mike Haley

Chair of the Joint Fraud Taskforce

The Joint Fraud Taskforce is a partnership between banks, law enforcement and government to deal with economic crime.

Executive Summary

Fighting Fraud and Corruption Locally 2020 is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.

By using this strategy local authorities will:

- *develop and maintain a culture in which fraud and corruption are unacceptable*
- *understand the harm that fraud can do in the community*
- *understand their fraud risk*
- *prevent fraud more effectively*
- *use technology to improve their response*
- *share information and resources more effectively*
- *better detect fraud loss*
- *bring fraudsters to account more quickly and efficiently*
- *improve the recovery of losses*
- *protect those at risk.*

This strategy is aimed at council leaders, chief executives, finance directors and all those charged with governance in local authorities including those on audit committees and with portfolio responsibility. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategies written in 2011 and 2016. It is not 'owned' by any one organisation but by the local authorities who have given time and support to develop it. Areas of focus for elected members, chief executives and those charged with governance are laid out in Section 4: The Local Response.

This partnership has been so successful it has existed since 2010 when the research and engagement first began.

Local authorities continue to face a significant fraud challenge and while the official figures are dated the argument about protecting funds and vulnerable people remains. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud in a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions maybe far reaching.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tough stance supported by elected members, chief executives and those charged with governance. This includes tackling cross-boundary and organised fraud and corruption attempts, as well as addressing new risks such as social care fraud and cyber issues.

In addition to the scale of losses and potential losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities report that they are still encountering barriers to tackling fraud effectively, including lack of incentives, data sharing, information sharing and powers, but also that they require support from senior stakeholders and those in charge of governance.

These factors do present challenges. However, this strategy demonstrates the tenacity of local fraud teams in continuing to lead on innovation and collaborate and also that there is a network of local leaders willing to support this initiative. This strategy, then, is about creating a self-sustaining counter fraud response for the sector.

Review of 2016 Fighting Fraud and Corruption Locally Strategy

The previous two strategies focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'.

These pillars are still applicable. During the research for this strategy they were supported as key areas by those who have input. However, another two areas of activity have emerged that underpin tenets of those pillars. These are 'govern' and 'protect'.

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

Govern

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

Acknowledge

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Prevent

Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

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


The second new area that has appeared during the research recognises the increased risks to victims and the local community:

Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.



 **PROTECTING ITSELF AND ITS RESIDENTS**
*Recognising the harm that fraud can cause in the community.
 Protecting itself and its' residents from fraud.*

This strategy and its tools provide ways for local authorities to further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes – the six Cs – that emerged from the 2016 research:

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

Many local authorities have demonstrated that they can innovate to tackle fraud and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings. There are case studies and quotes through this document evidencing the good work that is already happening.

This strategy

- *recognises that fraud is not a victimless crime and seeks to protect the vulnerable from the harm that fraud can cause in the community*
- *calls upon senior management in local authorities to demonstrate that they are committed to tackling fraud and corruption*
- *calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment*
- *calls upon local authorities to work together to illustrate the benefits that can accrue from fighting fraud more effectively*
- *calls upon senior stakeholders to listen to the business cases on barriers put by local authorities in order to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers such as a lack of powers.*

Case Study

Birmingham City Council: Acknowledge Using data to tackle fraud

In the original Fighting Fraud Locally 2011 Birmingham City Council was cited as good practice for setting up a data warehouse and protecting public funds. BCC continues to put fraud at the top of the agenda.

BCC has used a well-established, sophisticated data warehouse to develop an automated programme of data matching that allows potential fraud and error to be detected within 24 hours. This has been particularly effective in identifying fraudulent claims for council tax single person discounts and fraudulent housing applications. In time BCC expects the process to reduce the amount of fraud or error requiring a formal investigation as it will have been prevented or stopped almost as soon as it began. As a result, services that are being provided incorrectly can be stopped quickly, thus helping to preserve resources and reduce the level of fraud and error.

“Local authorities must ensure they take the necessary steps to put in place a strategy which can deliver a response that protects itself and its residents. Councils need to commit adequate resources to support that work and also measure its progress against that strategy. Fighting Fraud and Corruption Locally provides the necessary tools and ideas to support that work.”

Trevor Scott, Chief Executive Wealden District Council

Introduction

This strategy document is aimed primarily at council leaders and other elected members, chief executives, finance directors and those charged with governance in local authorities.

As a result of lessons learned during previous incarnations this document contains the core strategy together with companion documents which provide more detailed guidance on its implementation which will be updated when necessary during the life of this strategy. In that way there will be live documents for practitioners to draw upon that will more readily reflect the ever changing fraud local landscape.

We recognise that pulling together practitioners and stakeholders to discuss these issues is a local authority exercise and detracts from day-to-day activity where there are limited resources in place. Therefore this strategy will cover from 2020 onwards supported by live companion documents.

The research for this strategy was carried out by local practitioners and board members.

The research was commissioned by the board and was coordinated by the secretariat.

The research consisted of:



The original Fighting Fraud Locally 2011 strategy was launched with a series of pilots and joint working, conferences and awards and was hugely successful. The workshops highlighted much work being done in local authorities that is commendable and can prevent fraud across boundaries. Therefore, as part of these fact-finding engagement exercises those that attended workshops were asked to offer activity to demonstrate the partnership as part of FFCL. Around 30 activities and events have been identified for 2020 that demonstrate some of the good practice found during the research for this document and show that local authorities continue to tackle fraud and corruption. It is intended that these examples will be used to kick-start momentum in the way that the 2011 strategy did. In addition a number of working groups have formed already to implement the recommendations.

The activity following the publication of FFCL 2016 was more limited. There was no formal local launch and limited board activity. Therefore some of the issues raised during that research still persist. Efforts have been made to redress this during the research for this strategy by setting in place activity to address those persistent issues.

Nevertheless it is clear that local authorities continue to tackle fraud, as evidenced in this strategy's case studies and by the appetite to take forward the issues raised during the research and in the good practice guides.

Several new areas were raised during the research as barriers to overcome and local authorities have already stepped up to join together to help tackle these barriers. As part of the engagement exercise working groups and local authorities are already in place to begin the work on these issues.

This document is divided into four sections:

Section 1

The Context

Sets out the nature and the scale of fraud losses, the argument for measurement and the key issues raised by stakeholders.

Section 2

The Strategic Response

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

Section 3

Turning Strategy into Action – Delivery Plan

Sets out the recommendations and the framework for delivery.

Section 4

The Local Response – Appendices

Companion Annexes

The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. These documents may be refreshed at any time during the life of the strategy. They are not part of the strategy but are further guidance that is changeable. Areas they cover include fraud risks, good practice and the counter fraud local landscape.

Section 1: The Context

a) The scale of fraud and corruption

It is accepted that fraud affects the UK across all sectors and causes significant harm.

The Office for National Statistics states that one in 16 members of the population is likely to fall victims. The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

The last, most reliable and comprehensive set of local authority figures was published by the National Fraud Authority in 2013, and indicates that the fraud threat may have been costing the UK £52bn a year.

Within these figures the threat to local authorities totalled £2.1bn.

More recent estimates are higher. The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that figure may be as high as £7.8bn in 2017 of which procurement fraud was estimated as £4.3bn. This study estimated that the total threat faced by the public sector was £40.4bn.

“We do not have a wholly reliable estimate of the total scale of economic crime. However, all assessments within the public and private sectors indicate that the scale of the economic crime threat continues to grow.”

Economic Crime Plan 2019

The National Fraud Authority estimated public sector fraud (including local government) at £20.6bn in 2013.

The National Audit Office's Local Landscape Review 2018 estimated fraud at up to £20.3bn excluding local government.

The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:

Estimated Local Government Fraud Loss 2013

Fraud Type	Estimated loss
Housing tenancy fraud	£845m
Procurement fraud	£876m
Payroll Fraud	£154m
Council Tax fraud	£133m
Blue Badge Scheme misuse	£46m
Grant fraud	£35m
Pension fraud	£7,1m

Annual Fraud indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss. The fraud landscape has changed since 2013 as councils have introduced new ways of working and innovative responses to risks, while at the same time new areas of fraud risk have appeared.

Local authorities were sceptical about current publications on sector fraud figures and performance as there was a plethora of different numbers with no agreement or consensus. However, they remain keen to develop a consistent risk and performance methodology for the sector and for individual councils to estimate the potential risk they face on a consistent basis. Following the research for this strategy, a working group has been set up to develop methodologies for the sector to use.

b) The nature of the problem

In June 2019 the Government published its first Economic Crime Plan and included fraud and corruption in the definition.

The Government's Economic Crime Plan 2019

What is economic crime?

To help establish our partnership, we have agreed a common language across the public and private sectors regarding economic crime. We have used the following definition of economic crime to guide our efforts. Economic crime refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others. This poses a threat to the UK's economy and its institutions and causes serious harm to society and individuals. It includes criminal activity which:

- allows criminals to benefit from the proceeds of their crimes or fund further criminality

- damages our financial system and harms the interests of legitimate business
- undermines the integrity of the UK's position as an international financial centre
- poses a risk to the UK's prosperity, national security and reputation

1.12 This definition is broader than terms such as 'financial crime' or 'white-collar crime' to provide a holistic response to the following types of criminality:

- fraud against the individual, private sector and public sector
- terrorist financing
- sanctions contravention
- market abuse
- corruption and bribery
- the laundering of proceeds of all crimes

For the purposes of this strategy we have retained the terms 'fraud' and 'corruption' while recognising that they are part of a wider agenda. The strategy has not been re-titled 'Economic Crime'.

c) Issues raised by stakeholders

During the workshops and research a number of barriers to effective working were raised – the main issues raised are below. Participants were asked how they would solve these issues and there were many ideas and opportunities presented. Local authorities are keen to play a part and influence the outcomes. Therefore a working group has been set up for each of these areas to assess the evidence so far, collect any further evidence and to report into the secretariat for the FFCL Board to consider. There is evidence to create an FFCL operational group from the current FFCL representative network. Further detail on how this will operate will be in the live Delivery Annex.

Recommendation: A single regional FFCL operational group should be formed from the existing FFCL regional representatives.

Fraud measurement

While recognising that the repercussions of fraud are wider than financial it is important that councils have an up-to-date estimate of what the figures and areas of risk appear to be. There are a number of different methods of calculating fraud losses, and these vary across regions. Moreover the fraud priorities differ across regions. External organisations present figures to the sector but there is little or no ownership of these within local authorities. Local authority attendees raised this lack of independent analysis and free benchmarking to look at areas in deep detail rather than reported figures on numbers of referrals or cases detected. Local authorities could use this analysis to make the business case to tackle fraud, understand fraud issues more closely and see a more detailed picture across boundaries.

Recommendation: A working group on measurement should be formed to develop a consistent risk and performance methodology for the sector.

Local authorities have agreed to work together to build a set of figures for use as an indicator of actual losses, prevention measures and fraud areas. In addition this group will look at the area of benchmarking. This work is underway and the working group is now formed and is in place.

Powers

Local authorities welcomed the introduction of the Prevention of Social Housing Fraud Act (PSHFA) and reported that it had improved accessibility to information and intelligence.

However, some issues on powers that had been raised previously had not been taken forward by any parties, as the PSHFA, had and have been exacerbated by

Case Study

An employee responsible for managing Ipswich Market and collecting stall rent from traders was prosecuted for theft of cash collected. The council's finance team identified an irregularity when it attempted to reconcile income received to income due. The theft was valued at £33,376 and totalled 91 thefts. The employee was given an 18-month prison sentence suspended for two years and ordered to carry out 250 hours of unpaid work in the community.

He was also ordered to pay £14,000 compensation to Ipswich Borough Council at the rate of £400 a month.

new fraud areas such as social care fraud where local authorities report it is difficult to obtain information. During the research local authorities have provided a number of examples across service areas where they cannot obtain information or access organisations in order to progress investigations.

There are a number of potential avenues to resolve these issues and local authorities have themselves suggested opportunities to resolve these. These issues need to be explored further to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud investigations. This will then enable the sector to lobby for the additional powers required.

Recommendation: A working group on powers should be formed.

Local authorities have agreed to work together to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud activity and identify what additional powers are required, what forms that should take and to examine the suggestions that have been collated. This evidence should then be used to lobby government to grant additional powers required. This recommendation is underway and the working group is now formed and is in place

Incentives

Local authorities welcomed the Counter Fraud Fund in 2015 which had been distributed by the then Department for Communities and Local Government

This fund was a one-off and there were good results that are detailed on the Local Government Association Counter Fraud Hub page. However, many local authorities did not have the opportunity to bid and some had lost resources. Local authorities reported that they did not have funds to set up dedicated teams or undertake proactive work, and offers of technology were expensive and often duplicated existing offerings. Local authorities have made some suggestions about ways in which counter fraud activity may be funded. Local authorities have put together ideas on what types of incentives could support improved activity.

Recommendation: A working group on incentives should be formed.

Local authorities have agreed to work together to indicate where incentives may be required from Government and what forms they may take and to examine the suggestions that have been collated in the research.

The working group is now formed and is in place and the work is underway.

Data analytics and matching

A number of data related initiatives exist which local authorities may take part in for example, counter fraud hubs. At the majority of workshops it was said that there is inconsistent advice, high pricing, lack of discussion with suppliers and difficulty filtering out what is useful from what is not. The National Fraud Initiative has two products which were highlighted as useful and these are the Fraud Hub and AppCheck. It was also reported that there were issues with data quality, data standards and a lack of quality assurance about products.

Recommendation: A working group should be formed to review existing data related initiatives available to local authorities and recommend best practice or new ideas.

Local authorities have agreed to form a working group to look at the area of data. A number of ideas have been put together and the group will consider these and what further activity is required. This group will need to decide what is in scope for this work as the issues raised are varied. This recommendation is underway and the working group is now formed and is in place.

Social care issues

At most workshops the area of social care fraud was raised. Social care fraud harms the community and vulnerable individuals who are unable to detect scams or fraud and are often unable to report them. Sometimes abuse of funds by family members or carers complicates the situation. This can include financial abuse of vulnerable persons, not just direct payments and personal budgets.

This area of fraud has emerged as a growing risk since the last strategy was published. The impact of this risk on already stretched social care services and budgets is potentially very significant. For this reason, organisations with relevant skills together with those local authorities that have developed good practice have offered to support work in this area of risk. Our research also highlighted a number of ideas about identifying and tackling some systemic vulnerabilities in this area. Local authorities should ensure fraud strategies are aligned with safeguarding responsibilities to ensure we actively protect the most vulnerable in our communities. Close working with social care teams will be required with joint approaches and planning.

Recommendation: A working group on social care fraud should be formed to look at how local fraud strategies should align to local authorities' safeguarding responsibilities as well as to identify best practice in countering risks relating to social care fraud.

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these and what further activity is required. This recommendation is underway and the working group is now formed and is in place.

“Investing to prevent fraud should be one of the early steps in building your counter fraud response. The repercussions of fraud can be far reaching. We have a duty to protect residents in our communities from fraud and we should work in collaboration with officers across the council and partner agencies to prevent fraud and safeguard the vulnerable. Fraud is not a victimless crime”.

*Clive Palfreyman, Executive Director Finance & Resources
London Borough of Hounslow*

d) The themes

In FFCL 2016 a number of themes were identified and while those are still relevant and supported during the research one in particular stood out: collaboration.

Collaboration

There is an appetite for collaboration across the sector and geographically. However, it does not apply solely to local authorities. There is a need for collaboration across sectors, local law enforcement and with suppliers and external organisations.

The current FFCL regional representatives' network functions well. However, there is still a gap where information does not flow. There are also links to law enforcement and both national and local bodies which if they were stronger would help support the fight against fraud. Some councils already participate in regional bodies that could easily be better connected. There is overwhelming support for the idea of more formal FFCL-linked groups. Local authorities requested FFCL regional group.

There is also the possibility of exploring the principle of placing an obligation on partner bodies to share information to assist the detection and prevention of fraud even if the fraud is not against the sharing body.

Furthermore, local authorities reported the need to be more formally linked into the national law enforcement bodies. During the research a number of issues and patterns appeared in workshops that have been raised with enforcement; this demonstrates the merits of a joined-up approach. The Chief Executive of Cifas currently chairs the Joint Fraud Taskforce as well as sitting on the FFCL board and this has enabled Cifas to raise issues with the National Economic Crime Centre about local authorities' fraud risks. Local authorities requested support for better links to the major bodies in enforcement.

It was noted that where support was offered from outside the sector this could lead to a lack of 'ownership' by local authorities and that, had they been consulted or asked to contribute, products and services might have had better take-up. In particular, the cost of external support was raised several times as a barrier to take-up.

Recommendation: A single FFCL regional operational group should be created using the existing network that can link to relevant boards and enforcement.

Activity

During the workshops local authorities agreed to join the existing FFCL regional groups with a representative who is able to form part of a regional FFCL operational group supported by an FFCL Strategic Advisory Board (the current FFCL board).

The North East Regional Investigations Group will form a pilot and link to wider local law enforcement. This has been agreed with that region and is in place.

The new FFCL Strategic Advisory Board should have a dotted-line link into the Joint Fraud Taskforce, which will give access to the main players in local law enforcement.

There is further detail on this in the Delivery Plan Annex with a diagram that outlines how operational issues may flow upwards. The new FFCL regional operational group should be initially chaired by one of the local authority experts from the FFCL Strategic Advisory Board.

Organising ourselves – a collaborative governance model

Local authorities involved in the workshops realised the need for a strategic board and were pleased that the FFCL board had been in place since 2010 with oversight and had stood the test of time. It was also noted that the board had changed in role several times as had the membership. The original board had been very active, the second board had been more of an oversight body and the current board was wider but less visible. Attendees at workshops raised questions regarding the governance of FFCL, the route for selection to the board and the seniority and expertise of the board.

Further detail is included in the Delivery Plan Annex

Attendees appreciated the support from the firms and private sector and did not object in any way to these board members. In particular, the rebuilt secretariat and the support for the conference and awards in 2019 were noted, as was Mazars' free support on toolkits.

Recommendation: It is recommended that a review of governance takes place in respect of the role of the current board in light of the FFCL regional operational group and links to the Joint Fraud Taskforce.

Further recommendations are detailed in the Delivery Plan Annex.

Case Study

The first social care fraud prosecuted by Veritau and City of York Council

Veritau investigated following a referral from a member of the public. This is the first prosecution of a social care fraud by the council's legal department and an area of development for the counter fraud team. Several prosecutions for social care fraud have been achieved before, but these were jointly investigated by the police and taken to court by the Crown Prosecution Service.

The defendant was the financial representative for his mother who received social care support funded by City of York Council. The council funded his mother's social care, and he failed to inform them when his parents' property sold in 2014. He subsequently lied about this on a financial assessment form. The £86,000 has been paid back to the council in full. Information was received that his parents' property had been sold in 2014 for £200,000 and he had not declared this to the council in an attempt to avoid paying for his mother's care fees. The investigation found that on two separate occasions in 2015 he informed the council that his parents were still joint owners of the property and that his father lived there. In a financial assessment for social care funding, jointly owned properties are disregarded if a family member continues to live there.

The counter fraud team worked alongside financial investigators from the council's trading standards team, who were able to obtain financial information which showed that £198,000 from the house sale was deposited into the son's bank account. This money should have been taken into account for his mother's social care funds, meaning that the council would not have had to pay £86,000 out of the public purse. As a result of the two teams working together, the man was billed and the entire loss has now been repaid to the council.

He pleaded guilty to two charges of fraud by false representation at York Magistrates' Court on 8 October 2019. The case was referred to York Crown Court for sentencing on 19 November where he received a 20-month suspended sentence and was ordered to do 80 hours of unpaid work. He was also ordered to pay court costs of over £1,100 and an £80 victim surcharge. When sentencing, the judge said that a significant factor in mitigation was that he had already repaid the £86,000 to the council.

e) Fraud risk areas

The research has highlighted the following types of fraud risks. These frauds are expanded on in the companion documents and the list below is a brief description:

Fraud risks raised in the research

<i>Social care fraud: personal budgets and direct payments</i>	overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims
<i>Schools</i>	most issues that were raised in the workshops were also raised as issues for schools. This area did not feature in FFCL 2016
<i>Right to buy</i>	fraudulent applications under the right to buy/acquire
<i>Money laundering</i>	exposure to suspect transactions
<i>Commissioning of services</i>	including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion
<i>Tenancy</i>	fraudulent applications for housing or successions of tenancy, and subletting of the property
<i>Procurement</i>	tendering issues, split contracts, double invoicing
<i>Payroll</i>	false employees, overtime claims, expenses
<i>Identity fraud</i>	false identity/fictitious persons applying for services/payments
<i>Council tax</i>	discounts and exemptions, council tax support
<i>Blue Badge</i>	use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees
<i>Grants</i>	work not carried out, funds diverted, ineligibility not declared
<i>Business rates</i>	fraudulent applications for exemptions and reliefs, unlisted properties
<i>Insurance fraud</i>	false claims including slips and trips
<i>Disabled facility grants</i>	fraudulent applications for adaptations to homes aimed at the disabled

“Fraud has not disappeared: it is ever present, evolving and affects the funding that is needed for frontline services. In many public sector bodies it is still an area where there is significant underinvestment, because they are not recognising the extent of the epidemic and seeing other priorities, particularly around service delivery, as more important. As fraudsters evolve, we must too. To these ends, through collaboration and intelligence sharing with a fraud prevention specialist service, we are ensuring that cases of fraud are not replicated across our partnership, mitigating controls are put in place and offenders are dealt with appropriately. Through our proactive intelligence-led approach we are taking steps to ensure the public purse is protected from all fraudulent activity.”

David Hill, Chief Executive South West Audit Partnership

Concessionary travel schemes – use of concession by ineligible person, including freedom passes

No recourse to public funds – fraudulent claims of eligibility

New responsibilities – areas that have transferred to local authority responsibility

Local Enterprise Partnerships – partnerships between local authorities and businesses. Procurement fraud, grant fraud. All LEPs should now be incorporated, with a local authority as accountable body, in a more formal and regulated relationship. Key issues are LEP governance, procedures for allocating/prioritising grants

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

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

However, during the research for this strategy it has become clear that some frauds have become more prevalent and that some risks have reduced. In addition, fraud risks were raised at several workshops about money laundering, suspicious activity reports and risks attached to local authorities becoming more commercial.

The details of these risks are included in the companions as these are seen as changing areas that may need frequent updating.

While the direct consequences of fraud may be financial and reputational loss there are wider impacts that surround the harm to victims locally and the harm in the community. Local authorities have raised a number of issues about protecting the vulnerable from fraud and this spans a large area. There are also other stakeholders in this local landscape who offer support to victims, have developed networks and done deeper research. A large number of volunteers have come forward from the workshops with good practice and a willingness to collaborate to prevent and tackle these issues. The main fraud risk area that has drawn attention is social care fraud. However, there are other frauds that may merit scrutiny.

Activity

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these, what further activity is required and if any wider work can be done.

Economic Crime Plan 2019

Economic crime touches virtually all aspects of society. Economic crimes range across the full breadth of criminality, ranging from low-level frauds through to sophisticated cyber-enabled market manipulation. Fraud is now the second most common crime type in England and Wales, with nearly every individual, organisation and type of business vulnerable to fraudsters.

f) Counter Fraud Capacity, Competence and Capability

In FFCL 2016 themes were identified in the areas of capacity, competence and capability as part of the 6Cs – see page 23. These issues still exist.

Despite the challenge around capacity, competence and capability and lack of dedicated resource it is clear that activities to tackle fraud across the sector are being pursued and having a positive impact. But demand and growth in the number of incidents of fraud reported nationally mean local authorities must focus on areas of fraud that they identify as posing greatest risk and adverse impact on their organisations and the vulnerable. Working collaboratively and sharing resources should be encouraged and the FFCL regional board should undertake an analysis of which local authorities may benefit from support and how this might happen.

Many local authority practitioners reported that their capacity to tackle fraud and corruption had been reduced as a result of austerity-related local authority funding reductions. In addition several workshops were attended by shared service representatives and reported that non-attendees no longer had counter fraud resources. In one workshop it was noted that eight councils did not have any resource but that a colleague in the revenue department of a neighbouring authority had been 'helping out' across them. There are also situations that require collaboration: for example, a district council pursues council tax and business rates fraud, but the main beneficiaries are the county council and the Government.

In many cases practitioners also reported that some of the skilled investigation resource had been transferred to the Department for Work and Pensions and had not been replaced. There were large disparities in respect of numbers of staff and skills.

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Many attendees were skilled and qualified. It was also clear that because a number of local authorities did not have access to a team they were not covering the full range of fraud activities. In contrast the workshops were well attended by experts who, while overloaded, were attempting to tackle all frauds but with one hand behind their backs. Very often they said they would be pleased to assist neighbouring councils but had no contact or requests. The FFCL regional board may assist with this and what support can be given.

In addition there were some parts of the country where the teams were not up to date with current local landscape issues or activities that would benefit them in their roles. At the FFCL 2019 conference questions were raised about free access to tools and

good practice and it was agreed to hold this in the Knowledge Hub, which is an independent, free tool that many local authorities already use. In addition some local authorities already have small networks in the Knowledge Hub that they could link to the FFCL pages. The Knowledge Hub has been open for FFCL since the summer and now contains the archive documents as well as details about other current issues.

Adult care services successful prosecution and repayment in full of fraud loss

The subject of this investigation was the husband of a Hertfordshire County Council service user in receipt of financial support to pay for daily care. He completed the financial assessment forms on behalf of his wife but failed to declare ownership of residential property that was rented out in the private sector.

The allegation originated from a social worker who had a 'gut feeling' that the couple had a second home and referred to matter to Herts' shared anti-fraud service.

The investigation found that the couple jointly owned three properties in addition to their residential home. All three properties were rented out and held equity.

The husband was interviewed under caution where he accepted ownership of the properties but denied any wrongdoing, stating that there was no capital in any of the additional homes and that he had been struggling financially since his wife became ill. As part of the enquiries conducted by the team a fourth property was identified abroad.

On 1 July 2019 at Luton Crown Court, he pleaded guilty to all three counts of fraud by false representation. He was sentenced to two years in prison, suspended for two years. The judge adjourned any financial sanction until the confiscation order was completed. A service decision was made in that had the financial assessment form been completed correctly and the additional property declared, the service user would have been deemed a self-funder and received no financial support for care. Therefore the loss to HCC was calculated as £75,713 and a future saving of £1,166 per week (£60,632 per year) was recorded.

The loss including interest was calculated to be £89,141, which he has paid in full.

Case Study

Collaboration on Protect and Pursue

A man was sentenced to 18 months' imprisonment, suspended for 18 months, after forging documents when applying for disabled persons' freedom passes and disabled persons' Blue Badges.

He was found guilty of 12 offences - nine at Brent, Enfield and Haringey councils. He then pleaded guilty to a further three charges of forgery at Waltham Forest Council.

A lengthy investigation, led by Brent Council's fraud team, discovered that the subject used fake birth certificates, utility bills and medical certificates to falsely present himself and others as disabled.

Brent Council worked with the other three local boroughs, who carried out their own thorough and professional investigations with Brent's support, to join up the charges that resulted in the successful verdict.

For the Brent, Enfield and Haringey offences he was sentenced to 18 months' imprisonment per offence for these nine offences to be served concurrently. The sentence was suspended for 18 months.

The man was sentenced to 12 months' imprisonment for each of the three Waltham Forest offences. This was also suspended and will be served concurrently with the 18-month sentence. He also needs to complete 20 hours of a rehabilitation activity requirement order.

Culture

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

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated. Appendix 1 details what senior officers and members should focus on.

There is reluctance in some cases to report identified fraud, for example in press releases, for fear of presenting a negative impression of an authority. Reporting of successful outcomes is a powerful tool in prevention and deterrence.

It is important to embed a counter fraud culture and this requires a focus and leadership from the top. This requires having an appropriate resource in place. There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

Collaboration

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

Examples included counter fraud work not being consistently prioritised across the sector, lack of financial incentives to make the business case to collaborate, local lack of understanding of data protection rules, and lack of funding.

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

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

During the research a number of incidents were highlighted that demonstrated patterns of activity, organised fraud and money laundering. These issues have been acted upon. However, it is important that local authorities have access to routes where they can report these matters. Local authorities are the eyes and ears of the community and have a wealth of data that can help other local law enforcement if legally

accessed but this communication is not happening everywhere. This collaboration would support the fight against serious and organised crime. If the recommendations about links between the operational board and the JFT are agreed this will start to resolve some of the issues in this section.

Recommendations:

The external auditor should highlight FFCL and its appendices to the audit committee in the annual report

The regional network should continue use the Knowledge Hub as a free, independent, non-commercial confidential space to share information. When it is live the secretariat should hand it to the FFCL operational board.

Local authorities should partner with neighbours and engage in regional networks and should consider sharing resources and expertise. The FFCL operational board should take the lead on this.

While this strategy covers fraud and corruption, no instances of corruption were raised at the workshops though it was clearly considered alongside fraud in local strategies. The Ministry of Housing, Communities and Local Government has conducted research on procurement fraud and corruption that will be added to

the live FFCL documents.

“Working in partnership has allowed the Veritau member councils to establish a dedicated corporate fraud team. The team offers each council access to fraud investigators with specialist knowledge of the fraud risks facing local government. The team has also helped each council to recover significant fraud losses, particularly in new and emerging areas like adult social care.”

Max Thomas, Managing Director Veritau

Case Study

Devon Audit Partnership

A social housing local landlord alleged that Mr P was potentially subletting his property illegally to an unentitled third party. Mr P was already in the process of applying for the right to buy his social housing property.

The subsequent investigation revealed evidence that Mr P's friend was subletting the property from him and had been for at least two years. It also confirmed that Mr P was living in a private rented property with his girlfriend less than two miles away.

Mr P constantly denied the allegations. However, at his interview under caution with the DAP counter fraud services team, after repeatedly lying, he admitted the overwhelming evidence proved he was letting his friend live at his social housing property but denied that he had done anything wrong.

Mr P was subsequently prosecuted and pleaded guilty at that point to two offences contrary to:

Prevention of Social Housing Fraud Act 2013 – in relation to the dishonest illegal sublet of a social housing property

Fraud Act 2006 – in relation to the dishonest attempt to fraudulently obtain a £39,600 discount on his right to buy.

Mr P was sentenced to 160 hours' unpaid work for each charge and ordered to pay Plymouth City Council £750 towards its costs. Judge Darlow stated at the end of the case: “It was fraud [and] the decision by Plymouth City Council to prosecute is to be applauded.”

Section 2: The Strategic Approach

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements to foster and improve collaboration across boundaries.

The recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support and leadership across all levels of local

government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

The key principles are laid out in the pillars and themes:



PROTECTING ITSELF AND ITS RESIDENTS

Recognising the harm that fraud can cause in the community.
Protecting itself and its' residents from fraud.

Govern

The bedrock of the strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation. Beating fraud is everyone's business. The internal arrangements that are put in place should be communicated throughout the organisation and publicly available to demonstrate the culture and commitment to preventing fraud.

Without exception the research revealed an 'ask' that those charged with governance be directed to the strategy and that this become a key element. During the research for FFL 2011 and 2016 it was requested that some key points be laid out for those charged with governance in local authorities to make it simple for them to ensure fraud was being tackled. This request was repeated on numerous occasions during the workshops for FFCL 2020. Some basic questions are laid out at the end of the strategy in Appendix 1.

The supplements to this strategy lay out some key stakeholders, their roles and the areas that they should consider when evaluating the counter fraud efforts in their organisations.

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

Acknowledge

In order to create a counter fraud response an organisation must acknowledge and understand fraud risks and then demonstrate this by committing the right support and appropriate resource to tackling fraud.

This means undertaking a risk assessment of fraud areas and vulnerabilities and then agreeing an appropriate resource. Not every local authority requires a large team but they should have assessed the risk, have a plan to address it and have access to resources with the right capabilities and skills.

Prevent

Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Local authorities should set in place controls to prevent fraudsters from accessing services and becoming employees. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users. If someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds. In any case they may not have the training or qualifications to perform the job to the required standard.

Case Study

Fraud Hub Hertfordshire County Council

Hertfordshire County Council and a number of its neighbouring authorities are taking the next step to protect themselves by sharing intelligence in a newly formed FraudHub from the National Fraud Initiative to ensure they can reveal the full extent of fraudulent activities within their region.

Results so far have been extremely positive for Hertfordshire with over...

- *3,000 Blue Badges cancelled*
- *3,000 concessionary travel passes being revoked*
- *120 LG pensions or deferred pensions stopped*
- *182 Direct Payments or personal budgets for adult care being stopped/reduced or reviewed*
- *15 residential care placements being cancelled*
- *23 payroll discrepancies being subject to further investigation*
- *50,000 customer records removed from database alone using mortality data*
- *More than £5m in estimated savings in its first 12 months*

Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response on sanctions and collaboration.

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

A further theme has appeared during the research to link with the government strategy but also recognising the increased risks to victims and the local community.

Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cyber-crime and also protecting itself from future frauds. This theme lies across the pillars of this strategy.

From the research it is clear that a large number of local authorities use the FFCL initiative as a basis for local plans. Some local authorities have embedded the pillars into operational work. An example of how this has been done is included in the Annexes.

Case Study Pursue

Subletting Case Study Westminster City Council – unlawful profits

The council investigated following an anonymous tipoff that the tenant of a council property was not using the address as required by their tenancy and was profiting from the short-term letting of the property using Airbnb.

Searches of Airbnb carried out by the investigator found the property, which is a studio flat, advertised as a whole property with over 300 reviews. The council investigator found that even though the listing was not in the tenant's name, some of the reviews mentioned the tenant by his name, thanking him for his advice and local restaurant recommendations.

The council obtained the tenant's bank statements under the provisions of the Prevention of Social Housing Fraud Act using the authorised officer service provided by the National Anti-Fraud Network. The investigator subsequently found credits totalling over £125,000 covering four years.

All payments were credited from Airbnb, PayPal or Worldpay. When investigators visited the property they found a man at the premises who denied being the tenant even though his appearance matched the tenant's description. The next day the adverts had been removed from Airbnb but the investigator

had already retrieved and saved copies.

The tenant failed to attend several interviews under caution, but when possession action began his solicitors asked for a further opportunity for their client to be interviewed under caution to provide an account of events. This was agreed but again the tenant failed to attend the interview. Having applied the Code for Crown Prosecutors to the facts of the case and the defendant's personal circumstances, criminal action was not taken.

At the possession hearing, the District Judge said the Airbnb evidence was strong and that there was no distinction between 'short-term let' and subletting the home. The judge found in favour of the council. At an unsuccessful appeal hearing the judge agreed to the council's unlawful profits order of £100,974.94 – one of the highest that has ever been awarded to the council.

The tenant has now been evicted from the property.

Fighting Fraud and Corruption Locally – embedding the pillars

Durham County Council's counter fraud and corruption team has embedded many of the themes to create a robust approach. They have set up partnerships across sectors and regions, created a data hub and used the FFCL strategy to inform all of their work. The audit committee has supported the team and attended the FFCL awards in 2019.

DCC believes the best defence is to create a strong anti-fraud culture based on zero tolerance to deter fraud from being committed. It has reinforced this with a new corporate fraud sanction policy.

Norwich City Council adopted the FFCL pillars into its anti-fraud and bribery strategy in 2017 with the additional pillars of governance (similar to the NHS model). This has had a positive response from council executives and members including the audit committee. The annual report contains a RAG-rated review against the criteria set out in the local strategy and an activity plan based on the criteria each year to demonstrate progress and highlight areas to focus on.

A more detailed explanation of these is in the Annexes.

The Themes – Six Cs

The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. In the 2016 Strategy six themes were identified and during the research the workshop attendees were keen that these remain part of the strategy document.

Local authorities should consider their performance at a minimum against each of the six themes that emerged from the research conducted. To ensure this is effective and proportionate local authorities should benchmark this information where possible.

The themes are:

Culture – creating a culture where fraud and corruption are unacceptable and that is measurable

Capability – assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate

Capacity – deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance

Competence – having the right skills and standards commensurate with the full range of counter fraud and corruption activity

Communication – raising awareness internally and externally, 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.

Making the business case:

Investing in counter fraud activity –

Local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses.

Local authorities do not, as a rule, explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems. However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

The moral case – fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they achieve wider benefits for the community. For example, adult social care sits within the precept for council tax and reducing fraud in this area means that taxpayers' money is protected and is an incentive.

Case Study

An interim manager hired vehicles for personal use covering at least nine different vehicles and costing more than £18,000. The fraud included various invoice frauds for gardening services and over £20,700 paid to the interim manager's account.

In total the interim manager's actions resulted in monies, goods or services with a total value of £60,882.16 being ordered or obtained at a cost to the council from seven suppliers, including false invoices purporting to be from a gardening company.

Thirty-one fraudulent invoices were introduced by the interim manager totalling over £48,000 and were processed, authorised and paid using the council's systems. A further eight invoices totalling

more than £7,000 were subsequently authorised by the interim manager's line manager for liabilities incurred by the interim manager. Employee purchase cards were used to pay for goods worth over £1,270 and the interim manager personally benefited by £4,000 from the compensation payment and over £20,780 from the fraudulent invoices he submitted from the gardening company.

The fraud was discovered via a whistleblowing referral to audit services

The council's investigation found that the maintenance company with the same bank account as the interim manager's company did not exist. The council's audit services department led an investigation with the police to take the matter to Birmingham Crown Court where the interim manager pleaded guilty to Fraud Act offences. He was sentenced to three years' imprisonment on 25 September 2019.

Section 3: Turning Strategy into Action

The Delivery Plan

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements and foster and improve collaboration across boundaries.

The set of recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support across all levels of local government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

Further details on governance and recommendations are in the Delivery Plan Annex.

Section 4: The Local Response

Appendix 1

What should senior stakeholders do?

The chief executive

1. Ensure that your authority is measuring itself against the checklist for FFCL
2. Is there a trained counter fraud resource in your organisation or do you have access to one?
3. Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?

The section 151 officer

1. Is there a portfolio holder who has fraud within their remit?
2. Is the head of internal audit or counter fraud assessing resources and capability?
3. Do they have sufficient internal unfettered access?
4. Do they produce a report on activity, success and future plans and are they measured on this?

The monitoring officer

1. Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?
2. Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?

The audit committee

1. Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work
2. Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured
3. Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud
4. Should support proactive counter fraud activity
5. Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

The portfolio lead

Receives a regular report that includes information, progress and barriers on:

- The assessment against the FFCL checklist
Fraud risk assessment and horizon scanning.

Appendix 2

FFCL Checklist

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.
- The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.
- The relevant portfolio holder has been briefed on the fraud risks and mitigation
- The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.
- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
 - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
 - register of interests
 - register of gifts and hospitality.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended

- in FFCL 2020 to prevent potentially dishonest employees from being appointed.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.
- There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.
- There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
- Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.
- Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.
- Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
- Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.
- There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.
- All allegations of fraud and corruption are risk assessed.
- The fraud and corruption response plan covers all areas of counter fraud work:
 - prevention
 - detection
 - investigation
 - sanctions
 - redress.
- The fraud response plan is linked to the audit plan and is communicated to senior management and members.
- Asset recovery and civil recovery are considered in all cases.
- There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.
- There is a programme of proactive counter fraud work which covers risks identified in assessment.
- The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.

- The local authority shares data across its own departments and between other enforcement agencies.
- Prevention measures and projects are undertaken using data analytics where possible.
- The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.
- The counter fraud team has access to the FFCL regional network.

There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.

The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.

The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for:

- surveillance
- computer forensics
- asset recovery
- financial investigations.

Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.

Section 4

The Fighting fraud and Corruption Locally board would like to thank

The Fighting Fraud and Corruption Locally board is:

Charlie Adan – Chief Executive and SOLACE
 Bevis Ingram – LGA
 Andrew Hyatt – Royal Borough of Kensington and Chelsea
 Mike Haley – Cifas and Joint Fraud Taskforce
 Rachael Tiffen – Cifas and secretariat
 Suki Binjal - Lawyers in Local Government
 Colin Sharpe – Leicester City Council
 Clive Palfreyman – LB Hounslow
 Trevor Scott – Wealden District Council
 Alison Morris – MHCLG
 Mark Astley – NAFN
 Paula Clowes – Essex County Council
 Simon Bleckly – Warrington Council
 Karen Murray – Mazars
 Paul Dossett – Grant Thornton
 Marc McAuley – Cipfa

The Board would like to thank Cifas for managing this process, for the delivery of the research and the drafting of this document.

Regional Workshops

Around 260 councils attended workshops organised in the following areas:

East Anglia
SouthWest, Devon, Plymouth, Cornwall and Devon
Kent
London and the South East
Essex
Hertfordshire and Home Counties
Midlands Fraud Group and Chief Internal Auditors and County Networks
North West Fraud Groups
Yorkshire Groups
North East and North Regional Fraud Group

The Fighting Fraud and Corruption

Locally board wishes to thank:

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Debbie Dansey
Helen Peters
James Flannery
Jamie Ayling
Jacqui Gooding
David Hill
Max Thomas
Jonathan Dodswell
Hannah Lindup
Shelley Etherton
Gary Taylor
Nick Jennings
Ken Johnson
Mark O'Halloran
Paul Bicknell
Lauren Ashdown
Steven Graham
Matt Drury
Gillian Martin
Sara Essex
Sally Anne Pearcey
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**

And all those who attended the workshops, provided feedback, responded to surveys and who took up the actions after the workshops.

Section 5

Glossary and documents

NAFN – National Anti-Fraud Network
CIPFA – Chartered Institute of Public Finance and Accountancy
Cifas – UK's fraud prevention service
NECC – National Economic Crime Centre
NCA – National Crime Agency
MHCLG – Ministry of Housing, Communities and Local Government

ONS: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud
www.gov.uk/government/publications/economic-crime-plan-2019-to-2022
National Fraud Authority, Annual Fraud Indicator, March 2013
National Fraud Authority - Good practice publication: www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/
Economic Crime Plan 2019: www.gov.uk/government/publications/economic-crime-plan-2019-to-2022
Eliminating Public Sector Fraud: www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf
Smarter Government: www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report
Local Government Association Counter Fraud Hub: www.local.gov.uk/counter-fraud-hub
Veritau: veritau.co.uk/aboutus
SWAP Internal Audit Services: www.swapaudit.co.uk
Devon Audit Partnership: www.devonaudit.gov.uk

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**Stevenage Borough Council
Anti-Fraud Plan 2019/2020**

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.

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

The five key principles of the code are to:

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

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

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

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

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

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

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

What is clear is that every pound lost to fraud from the public purse is a pound lost from essential front line services. The Councils Anti-Fraud Plan 2019/2020 is based on the principles of 'Acknowledge/ Prevent/ Pursue' and the 6 C's to ensure the Council is adequately protected from fraud risk and where fraud does occur there are plans to manage, mitigate, recover any losses.

SAFS Resources 2019/2020

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.

SAFS is a Partnership where each organisation pays 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 one seat on the Board. For Stevenage Borough Council the Assistant Director- Finance & Estates 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 September 2018 the SAFS Board accepted a report from the SAFS Manager to increase the fees for all Partners. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years. There has been no previous increase in fees since 2015.

The Board agreed that the annual fee for all Partners would increase by 2% per annum to 2022 to be reviewed further at that time and that fees for Stevenage Borough Council will increase from £100,000 + VAT (2018/19) to £102,000 + VAT (2019/20).

Staffing

The full complement of SAFS in 2019/20 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 .6 FTE Accredited Financial Investigator both posts funded from SAFS Budgets.

Stevenage Borough Council will have access to 1 FTE Investigator, 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 & management meetings and three Audit Committees reports per annum. SAFS also have access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties.

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

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 Stevenage Borough 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 3rd 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 2019/2020

CIPFA Principles	Goals & 6Cs	Activities	Responsible Officer		
ACKNOWLEDGE	Fraud is acknowledged as a Risk for the Council CULTURE	The Council has in place Anti-Fraud and Corruption Strategy & Fraud Response Plan 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 COMMUNICATION	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 or specific anti-fraud training across all Council services and review the E-Learning Training for staff SAFS will provide fraud alerts to appropriate officers/staff/services from Action Fraud/ NAFN/ Police .	Head of Communications SAFS Mgr SAFS Mgr & Head of HR SAFS Mgr		
	PREVENT	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. COLLABORATION	Implement the contract for Stevenage Borough Council to join the Herts <i>FraudHub</i> in 2019. Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA Deliver the NFI 2018/19 Exercise Work with DWP to deliver CTRS/HB joint working 2018/19 roll-out Work with other organisations, including private sector, to improve access to data	SAFS Manager/ Monitoring Officer Monitoring Officer SAFS Mgr SAFS Mgr/Shared R&B Manager SAFS Mgr	
		Have the highest levels of professional standards COMPETENCE	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 SAFS will work with all relevant Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA	SAFS Mgr SAFS Mgr SAFS Mgr SAFS Mgr	
		PURSUE	Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. CAPABILITY	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council SAFS will record and report on all fraud referred, investigated and identified SAFS will review fraud trends and new threats and report on these to Council 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 CAPACITY	The Council will review its ROI from SAFS Membership SAFS will assist the Council in providing its Transparency Code (Fraud) Data annually 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 2019/2020**

KPI	Measure	Target 2019/2020	Target 2018/2019	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.	New Target	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 Stevenage Borough Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Corporate Governance Groups.	A. 1 FTE B. 2 Report C. New	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. C. Provide compliance for 'Joint Working' with DWP/FES	New Target	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN B. Membership of CIPFA Counter Fraud Centre C. Access to NAFN for relevant Council Staff D. 5 Fraud training events for staff/Members in year. E. Support for in-house TF Investigation Staff.	New Target	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. 100 - Fraud referrals from all sources to SAFS B. 60% of cases investigated and closed in year proved. C. 12 Social homes secured from sub-letting or other unlawful tenancy breaches. D. 100% Review of RTB Application.	A. 100 Refs B. 60% C. 12 D. New	This target will measure the effectiveness of the service in promoting the reporting of fraud by staff and public, & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Implement the Herts FraudHub for SBC. B. Complete NFI 2018/2019 Reports.	New Target	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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SBC / SAFS Action Plan 2019/2020

CIPFA Principles	Goals & 6Cs	Activities	Responsible Officer	Progress to March 2020
ACKNOWLEDGE	Fraud is acknowledged as a Risk for the Council CULTURE	The Council has in place Anti-Fraud and Corruption Strategy & Fraud Response Plan 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 Officer Monitoring Officer s.151 Officer Monitoring Officer	The Councils Anti-Fraud Strategy needs review and this will be completed in 2020. The Council is considering a new suite of counter fraud policies. Reported in the Councils Annual Governance Statement The Council is currently working on new policies as mentioned above
	The Council has a robust communication policy demonstrating its commitment to prevent fraud COMMUNICATION	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 or specific anti-fraud training across all Council services and review the E-Learning Training for staff SAFS will provide fraud alerts to appropriate officers/staff/services from Action Fraud/ NAFN/ Police .	Head of Communications SAFS Mgr SAFS Mgr & Head of HR SAFS Mgr	The Council agreed a plan for internal and external Comms to promote International Fraud Awareness Week in November 2019 and this worked well. SAFS webpage/ email/ hotline numbers available on SBC webpage and Intranet The Councils HR Team are working on the implementation of the E-Learning provided by SAFS 22 Alerts issued to officers in 2019/2020
PREVENT	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. COLLABORATION	Implement the contract for Stevenage Borough Council to join the Herts FraudHub in 2019. Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA Deliver the NFI 2018/19 Exercise Work with DWP to deliver CTRS/HB joint working 2018/19 roll-out Work with other organisations, including private sector, to improve access to data	SAFS Manager/ Monitoring Officer Monitoring Officer SAFS Mgr SAFS Mgr/Shared R&B Manager SAFS Mgr	Still outstanding All agreed between SAFS and the Councils DP Officer Work ongoing- Progress good This now very much BAU at SBC SAFS are working with HOOYU/ CIFAS/ SAS in 2019/20
	Have the highest levels of professional standards COMPETENCE	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 SAFS will work with all relevant Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA	SAFS Mgr SAFS Mgr SAFS Mgr SAFS Mgr	All SAFS staff work for SBC are ACFS Qualified Managed by SAFS through CMS/PMDS/121 reviews This has been delayed due to Covid until late 2020 Training provided on NAFN for front-line staff
PURSUE	Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. CAPABILITY	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council SAFS will record and report on all fraud referred, investigated and identified SAFS will review fraud trends and new threats and report on these to Council 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	Meetings with s.151 ongoing. All cases recorded on CMS Alerts issued and advice on referrals and outcomes Relationship with Shared Legal Service is positive
	Develop the right level of resources to deal with the level of fraud risk CAPACITY	The Council will review its ROI from SAFS Membership SAFS will assist the Council in providing its Transparency Code (Fraud) Data annually Reports 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 Attends Champion/ Board/ AC Meetings Complete - published in Councils June 2019 AC Papers SAFS provided three reports to AC in 2019/20 SAFS are involved in the FFCL Strategy re-write for 2020
			s.151 Officer is Assistant Director- Finance & Estates Monitoring Officer is Service Director- Head of Shared Legal Service	Key Complete In Place/ BAU Commenced/ Under Review Outstanding

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SBC Reported Fraud Stats 2019/20

REFERRAL SOURCES

TOTAL	Partner	Public	Proactive	Other Agency
156	61	47	48	0

REFERRAL TYPES

TOTAL	CTRS & HB	Discounts	Housing	Blue Badge	NNDR	Staff/Contract	Other
156	78	4	63	7	0	2	2

ALL CASES REFERRED AND CLOSED IN YEAR

TOTAL	Positive	Not Proved	Intervened	Rejected
290	45	50	12	46

POSITIVE CASES CLOSED

Investigated	% Positive	CTR/HB Sanctioned	Prosecuted	Property recovered	RTB Cancelled	Employee disciplined	Employee Dismissed	Employee Resigned
45	48%	5	2*	7	1	0	0	1

* 4 further cases referred for prosecution but awaiting outcomes at year end.

ALL FRAUD LOSSES

TOTAL	Council Tax	Blue Badge	Housing	Staff/Contracts	NNDR	Insurance	HB	Other
£120,300	£27,000	N/A	£19,800	£0	£0	£0	£73,500	

FRAUD FUTURE SAVINGS/REVENUE

TOTAL	Council Tax	Blue Badge	Housing	Staff/Contracts	NNDR	Insurance	HB	Other
£102,000	£8,900	£0	£73,800	£0	£0	£0	£19,400	£0

BREAKDOWN OF REVENUE/SAVINGS

	Recoverable Fraud Losses	Difficult to Recover Losses	Savings	New Revenue	
Housing Benefit	£73,500	£0	£0	£29,400	(HB Subsidy)
Council Tax	£27,000	£0	£0	£8,900	(New Ctax Revenue)
Staff		£0	£0	£0	
Tenancy	£0	£19,800	£73,800	£0	(Temp Accomodation costs)
Total	£100,500	£19,800	£73,800	£38,300	

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Meeting: AUDIT COMMITTEE/ EXECUTIVE
/ COUNCIL

Agenda Item:

Portfolio Area: Resources

Date: 10 September / 16 September / 14
October



ANNUAL TREASURY MANAGEMENT REVIEW OF 2019/20 INCLUDING PRUDENTIAL CODE

NON-KEY DECISION

Author	– Belinda White	Ext. 2515
Contributor	– Lee Busby	Ext. 2730
Lead Officer	– Clare Fletcher	Ext. 2933
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1 PURPOSE

- 1.1 To review the operation of the 2019/20 Treasury Management and Investment Strategy.
- 1.2 To provide an update of the Covid19 on the Councils Treasury Management Strategy.

2 RECOMMENDATIONS

2.1 Audit Committee

That subject to any comments by the Audit Committee to the Executive, the 2019/20 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 2019/20 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 2019/20 Annual Treasury Management Review be approved by Council.

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 2019/20. 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 2019/20 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 27/02/2019)
- a mid-year treasury update report (Council 29/01/2020)
- 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. However due to the significant impact of the Coronavirus, this report also considers the resulting impact on 2020/21 Treasury Management position.

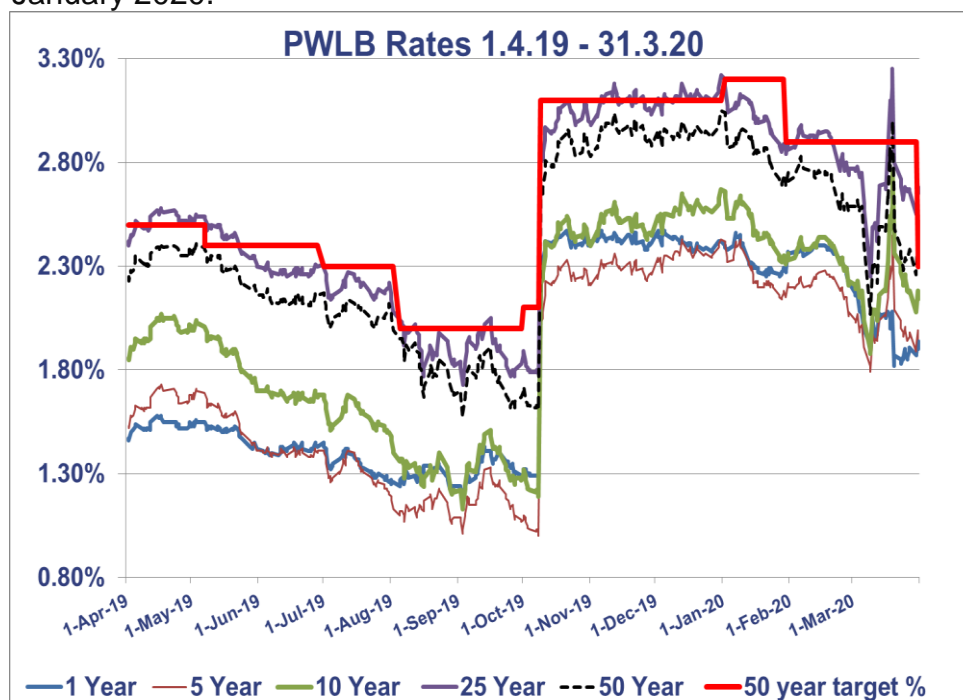
3.1.4 Officers confirm that they have complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee and the Executive before they were reported to the Council.

3.2 The Economy and Interest rates in 2019/20 and current position

3.2.1 In 2019, the UK economy slowed due to uncertainties about Brexit causing many businesses to reduce their spending, and growth in the world economy also slowed, reducing demand for the goods and services that the UK sells abroad. GDP in the euro area grew by 0.4 per cent – 0.5 percentage points less than the Office of Budget Responsibility (OBR) expected last March, reflecting a continued slowdown in manufacturing and weaker external demand. US GDP grew by 1.0 per cent in the second half of 2019, in line with predictions. GDP growth in China and India also continued to slow during 2019.

3.2.2 Inflation in advanced economies has also been lower than the OBR forecast last March. Inflation in the euro area was 1.0 per cent in the fourth quarter of 2019, 0.7 percentage points lower than expected. And in the US, inflation was 2.0 per cent in the fourth quarter of 2019, 0.2 percentage points lower than expected. UK inflation fell below the Monetary Policy Committee (MPC)'s 2% target.

- 3.2.3 Estimates suggest that UK output grew by 1.4 per cent in 2019, slightly above the OBR March 2019 forecast. Also, quarterly growth was more volatile than the OBR expected. Output rose by 0.6per cent in the first quarter but then fell 0.1 per cent in the second. This was in large part down to a precautionary build-up of stocks in the run-up to the UK's planned departure from the EU on 29 March 2019.
- 3.2.4 Investment returns remained low during 2019/20. There was an expectation for interest rates within the treasury management strategy for 2019/20 based on Bank Rate remaining at 0.75% during 2019/20. The MPC were not forecast to increase in Bank Rate until the details of the UK's exit from the EU became clearer, but there was an expectation that Bank Rate would then rise, although only to 1.0% during 2020. Actual changes to UK Base Rate were a cut to 0.25% from 0.75% at the MPC meeting on 11 March 2020, and a further cut to 0.10% on 19 March 2020 due to the impact of the Covid19 pandemic.
- 3.2.5 **Brexit.** The UK left the European Union on 31 January 2020. Under the Withdrawal Agreement, we are now in a transition period until the end of 2020, however the details of any trading agreements following the transition period remain unclear, giving rise to market uncertainty making forecasting of interest rates challenging. Officers have formed a Brexit working group to identify and mitigate risks after the transition period.
- 3.2.6 **PWLB borrowing rates** are based on, and are determined by, gilt (UK Government bonds) yields through H.M. Treasury determining a specified margin to add to gilt yields. PWLB were on a general downward trend until 19th October 2019, when a 1% rate rise was instituted as reflected in the chart below. Rates plateaued before resuming their downward trend from January 2020.



3.2.7 The target borrowing rate in the HRA Business Plan was 3.40% for 2020, rising to 3.70% in 2021 and 4.00% in 2022, while the average rate of the new HRA borrowing taken in March 2020 was 1.62%. The change in PWLB rates has been as follows, so despite the increases they remain lower than the Business Plan forecasts:

Table one: PWLB borrowing rates			
Rates* as at:	Apr-19	Apr-20	Aug-20
Years	Rate %	Rate %	Rate %
5	1.63	1.92	1.80
10	1.95	2.10	2.06
15	2.28	2.37	2.36
20	2.46	2.53	2.54
25	2.52	2.58	2.61

* Rates include a 0.2% reduction for the General Fund certainty, for HRA the reduction is 1.2%

3.2.8 Covid19 Pandemic.

3.2.8.1 As a response to the Covid19 Pandemic, UK Base Rate was cut to 0.25% from 0.75% at the MPC meeting on 11 March 2020, and was cut again to 0.10% on 19 March 2020. There is forecast to be little upward movement in PWLB rates over the next two years as it is expected to take national economies a prolonged period to recover momentum lost in the recession caused during the Covid19 lock down period. Inflation is also anticipated to be very low during this period and could possibly turn negative in some major western economies during 2020/21.

3.2.8.2 Forecast cash balances have been revised for the loss of income to the Council (see the charts in paragraphs 4.2.7.1 and 4.2.7.2) as have the forecasts of investment interest that will be earned due to both the lower investment balances and interest rates and will be reported as part of the revenue budget updates to Executive.

3.2.8.3 As can be seen in Table three in paragraph 4.2.4.1, the use of financing for the capital programme in 2019/20 was switched. This was in response to Covid19 and enabled revenue sourced financing to be redirected to support revenue pressures arising from the pandemic. In addition officers have reviewed the 2020/21 capital programme to repeat the exercise of switching financing sources where possible to reduce the pressures on revenue, maximising the use of capital receipts and other financing sources that can only be used to fund capital expenditure.

4 TREASURY MANAGEMENT ACTIVITIES

4.1 OVERALL TREASURY POSITION AS AT 31 MARCH 2020

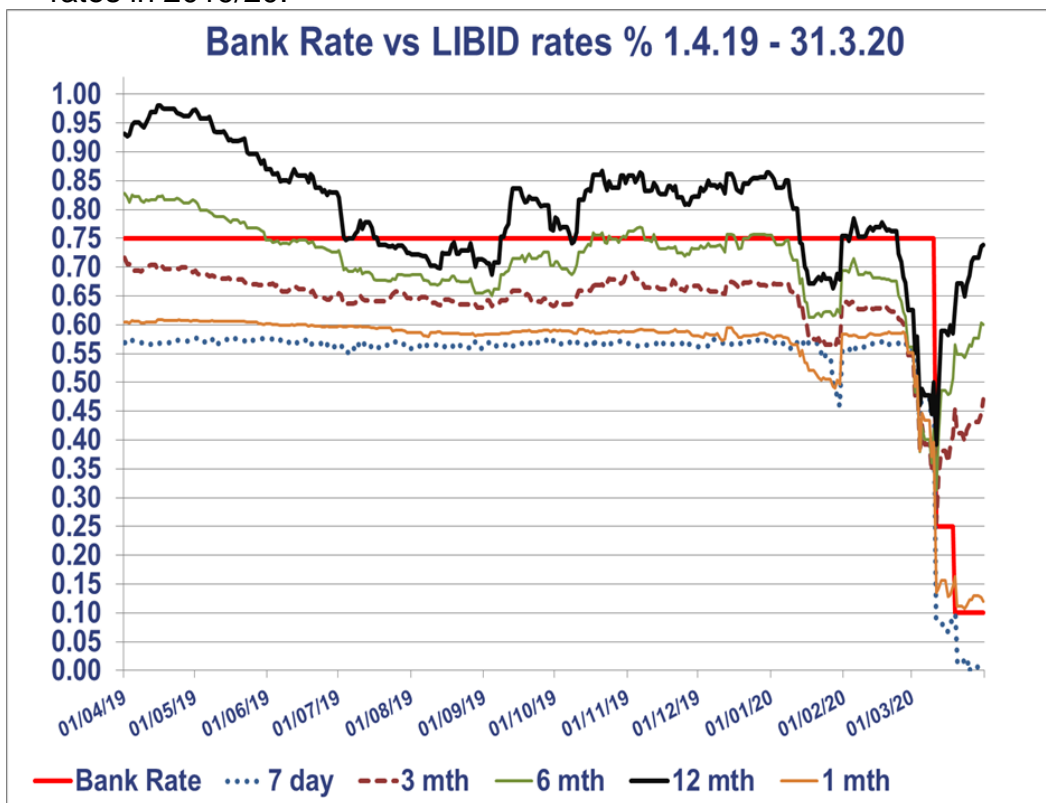
4.1.1 As at 31 March 2019 and 2020 the Council's treasury position was as follows:

Table two: Treasury Position						
	2018/19			2019/20		
	31 March 2019 Principal £'000s	Rate / Return %	Average Life (Yrs)	31 March 2020 Principal £'000s	Rate / Return %	Average Life (Yrs)
Total Borrowing	205,482	3.37	15.03	209,229	3.34	14.12
Capital Financing Requirement	233,796			241,724		
Over/(under) borrowing	(28,314)			(32,495)		
Investments Portfolio (see section 4.2.7)	54,135	0.86		54,072	0.98	

4.1.2 Investment balances fell slightly year-on-year. The remaining 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 4.2.5.2).

4.1.3 During the year the average investment balance was £63.642 Million, earning interest of £624,724 and achieving an average interest rate of 0.98%. The comparable rate was 0.58% (average 7-day LIBID rate). This compares with an original budget assumption of £566,470 investment interest based on average investment rate of 0.7%.

4.1.4 The following chart shows UK Bank Rate and LIBID (London Interbank Bid) rates in 2019/20.



4.2 TREASURY MANAGEMENT STRATEGY 2019/20

- 4.2.1 The original 2019/20 Treasury Management strategy had projected Bank Rate remaining at 0.75% until the midpoint of 2019/20 when it was forecast to rise to 1.0% (and to 1.25% in the 4th quarter of 2019/20). 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 it was anticipated that further updates of the Strategy may be required once these were known.
- 4.2.3 The Markets in Financial Instruments Directives (MiFID) are the EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (such as shares, bonds and units in collective investment schemes). It was introduced to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. The Council has retained its elected professional client status under the MiFIDII legislation, having retained the minimum total investment portfolio of £10Million and continuing to pass the other quantitative and qualitative tests. This professional status has enabled the Council to maintain its existing relationships with financial institutions and ability to use financial instruments which are not available to retail clients, allowing uninterrupted advice and opportunities for investment/debt products.
- 4.2.4 **The Council's Capital Expenditure and Financing 2019/20.**
- 4.2.4.1 In 2019/20 the Council spent £43.527 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 £1.820 Million, HRA £7.056 Million). External loans of £4.010 Million were taken out for the HRA during 2019/20. Table three details capital expenditure and financing used in 2019/20.

Table three : 2019/20 Capital Expenditure and Financing				
	2019/20	2019/20	2019/20	2019/20
	Original Estimate	Quarter 3 Revised Working Budget	Actual	Variance Actual to Quarter 3 Revised Working Budget
	£'000	£'000	£'000	£'000
Capital Expenditure:				
General Fund Capital Expenditure	32,217	17,339	13,140	(4,199)
HRA Capital Expenditure	23,528	29,941	30,387	446
Total Capital Expenditure	55,745	47,280	43,527	(3,753)
Resources Available for Capital Expenditure:				
Capital Receipts	(6,854)	(7,302)	(8,038)	(736)
Capital Grants /Contributions	(9,634)	(9,961)	(8,582)	1,378
Capital Reserves	(1,245)	(1,622)	0	1,622
Revenue contributions	(7,735)	(681)	0	681
Major Repairs Reserve	(9,876)	(18,961)	(18,030)	931
Total Resources Available	(35,345)	(38,527)	(34,651)	3,877
Capital Expenditure Requiring Borrowing	20,400	8,753	8,876	124

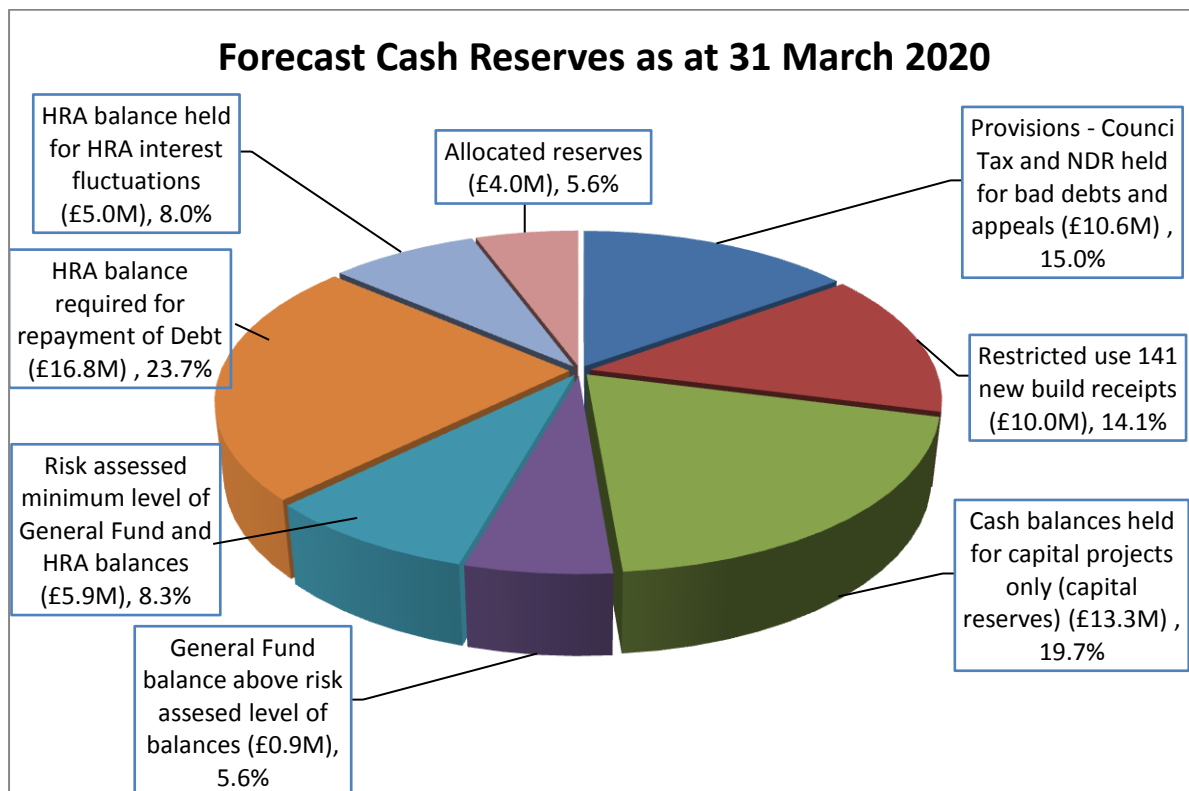
4.2.4.2 The Treasury Management review of 2019/20 and Prudential Indicators have been updated to reflect changes to capital budgets which have been approved throughout the year. The actual capital expenditure for 2019/20 was reported to the Executive on 8 July 2020.

4.2.5 **The Council's overall need to borrow and Capital Financing Requirement**

4.2.5.1 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.

4.2.5.2 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 2020 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 (£10.0Million) and provisions (£10.6Million) for future liabilities, and that there is forecast drawing down of £3Million from reserves and balances due to the impact of Covid19 in 2020/21 in the revised September General Fund Medium Term Financial Strategy.



4.2.5.3 As at the 31 March 2020 the Council had total external borrowing of £209.229 Million. The debt repayment profile is shown in the following table:

Table four Maturity of Debt Portfolio for 2018/19 and 2019/20		
Time to maturity	31 March 2019 Actual £'000's	31 March 2020 Actual £'000's
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	526	263
5 years or more and less than 10 years	28,556	39,156
10 years or more	175,874	169,284
Total	205,482	209,229

4.2.5.4 The General Fund had external borrowing of £2.545 Million with the Public Works Loan Board (PWLb). The HRA had external borrowing of £206.684

Million all held with the PWLB, of which £11.773 Million relates to the Decent Homes programme, £7.763 Million from pre 2012 plus new loans of £4.010 Million taken out in year. The remainder of £194.911 Million relates to self- finance the payment made to central government in 2012.

4.2.5.5 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 2020 is set out below. Discussions are underway with the LEP regarding making these re-investible loans for further regeneration of the town, rather than needing to be repaid on the dates indicated.

Table Five: LEP Loans				
Loan Received	Site Assembly	Land Assembly	Total	Repayment Date
2015/16	762,488		762,488	due to be repaid 31/03 2022
2016/17	416,306		416,306	due to be repaid 31/03 2022
2019/20		4,714,265	4,714,265	due to be repaid 31/03 2025
Total	1,178,794	4,714,265	5,893,058	

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

Table Six : Capital Financing Requirement 2018/19 and 2019/20			
CFR Calculation	31-Mar-18 (£'000)	31-Mar-19 (£'000)	Movement in Year (£'000)
Opening Balance	221,877	233,796	
Closing Capital Financing Requirement (General Fund)	26,976	28,053	1,077
Closing Capital Financing Requirement (Housing Revenue Account)	206,820	213,671	6,851
Closing Balance	233,796	241,724	
Increase/ (Decrease)	11,919	7,928	7,928

4.2.5.7 The CFR for the HRA has increased by £6.851 Million due to a borrowing requirement of £7.056 Million less asset transfers (appropriations) between the General Fund and HRA in 2019/20 with a net impact to the HRA CFR of a reduction of £205K as follows:

		GF	HRA
Symonds Green Annexe - Scarborough Ave	GF to the HRA	(444,553)	444,553
North Road	HRA to the GF	650,000	(650,000)
		205,447	(205,447)

- 4.2.5.8 The General Fund's CFR has increased by £1.077 Million, due to;
- the net appropriation from the HRA of +£205K
 - borrowing requirement of +£1.820 Million
 - less Minimum Revenue Provision (MRP) (see section 4.2.6) and loan repayments made in year totalling -£948K

4.2.5.9 Borrowing originally forecast for Investment Properties was not taken in 2019/20 (see paragraph 4.3.4).

4.2.6 Minimum Revenue Provision (MRP)

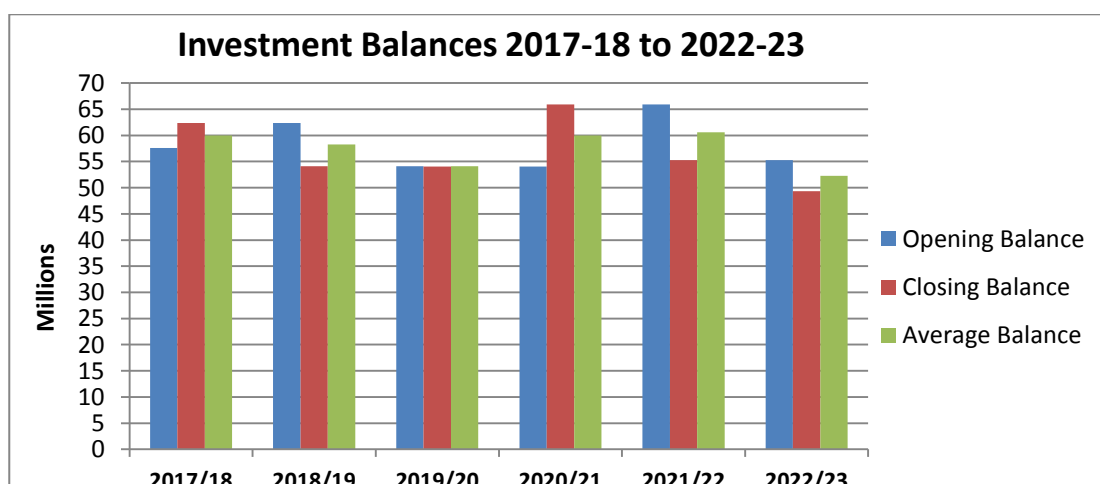
4.2.6.1 The Prudential Code, by which the Council has to make its borrowing decisions, requires the Council to demonstrate that borrowing is required and affordable. The MRP is a statutory requirement to ensure borrowing is affordable for the General Fund and does not apply to the HRA (the HRA affordability is determined in the HRA Business Plan). 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.

- 4.2.6.2 The MRP charged to the General Fund in 2019/20 was £684,906, of which
- £335,058 is effectively funded from regeneration assets
 - £35,120 is funded from investment property
 - £263,958 is a net cost to the General Fund
 - £50,770 funded by principal loan repayments from Queensway*

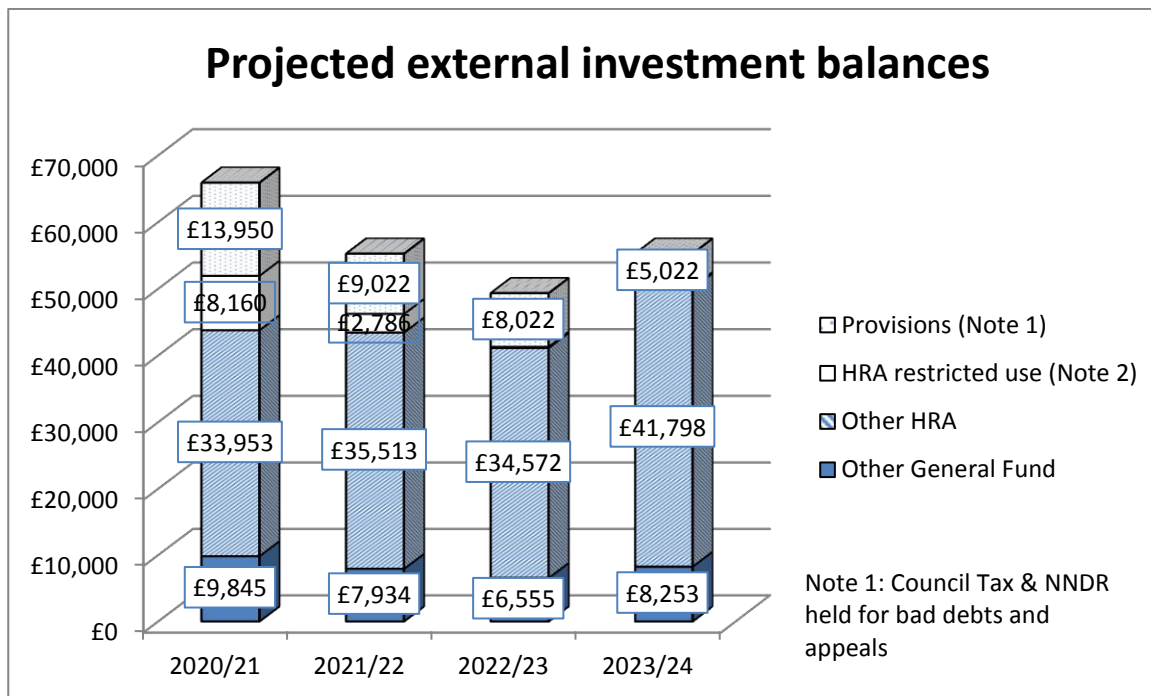
*this is included as an accounting technicality only, there is no MRP cost to SBC relating to this loan

4.2.7 Cash Balances and Investment

4.2.7.1 The restrictive use of a proportion of the cash balances set out in paragraph 4.2.5.2, 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 reduction following the planned use to 2022/23.



4.2.7.2 The chart below shows the breakdown of the projected external investment balances, following the drawing down and resulting reduction in the reserves and balances held on 31 March 2020 (as set out in paragraph 4.2.5.2), in accordance with the latest General Fund and HRA Medium Term Financial Strategies.



4.2.7.3 In accordance with the Treasury Management Strategy approved by Council on 27 February 2019, 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.

4.2.7.4 There were no breaches to this policy in 2019/20 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 2019/20, demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively.

4.2.8 Other Prudential Indicators

4.2.8.1 The treasury management indicators for 2019/20 onwards have been updated based on the updated Capital Strategy approved by Council in February 2020 and subsequently updated in the 3rd and 4th quarter capital updates reported to Executive and Council in March and July 2020.

4.2.8.2 The **net borrowing position** for the Council as at 31 March 2020 was **£155.157Million** (total external borrowings/loans of £209.229Million less total investments held of £54.072Million).

- 4.2.8.3 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 2019/20.**
- 4.2.8.4 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 2019/20 indicator is **8.22%**.
- 4.2.8.5 The full list of treasury prudential indicators is shown in Appendix A and has been updated for the 2019/20 outturn position and the revised 2020/21 capital programme.

4.3 OTHER ISSUES

- 4.3.1 International Financial Reporting Standard 9 (IFRS9) covers the recognition, measurement and impairment of financial instruments such as loans and investments. Following consultation undertaken by the Ministry of Housing, Communities and Local Government (MHCLG) on IFRS9, the Government introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This was effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency. **These changes have no impact** on the valuation of investments held by Stevenage Borough Council, and the statutory override has not been needed.
- 4.3.2 No updates have been made to the MRP Policy, since the review of asset lives on property as per the 2019/20 Mid-Year Treasury Management review (Council 29 January 2020). The policy remains unchanged in that Option 3 Life expectancy is used in calculation of the MRP charge. The maximum life used is capped at 50 years as permissible under the prudential code.
- 4.3.3 **Operational and Authorised Borrowing Limits**
- 4.3.3.1 General Fund limits will be reviewed if necessary in the Mid-Year 2020/21 Treasury Management Strategy, due to go to Executive and Audit Committee in November 2020 and Council in December 2020.
- 4.3.3.2 HRA limits will be reviewed as part of the refresh of the HRA Business Plan currently being undertaken.

4.3.4 Property Funds and Commercial Strategy

Separate to Treasury Management cash investments, the Council has a strategy to invest in Property Funds and Commercial Property. To date one Commercial Property has been acquired, Essex House in 2017/18 at a purchase cost of £1.756 Million. A number of other properties have been considered, however despite the appointment of specialist to help identify suitable properties none have met the approved investment criteria to warrant their purchase. The difficulty in identifying further suitable properties, combined with adverse market conditions, has led to no further properties being acquired. There has also been a consultation into the lending arrangements for PWLB funding. The deadline for the consultation was extended to 31 July 2020, and the date for the outcome of the consultation has yet to be confirmed.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and reviews the treasury management function for 2019/20. 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 potential changes to PWLB borrowing arrangements as per paragraph 4.3.4 refer to the use of PWLB for 'Investment for Yield' schemes, where Council's may be prohibited from the use of this borrowing source for commercial investment property purchases. This could have an impact on the plans currently in the Council's Capital Strategy.

5.3 Equalities and Diversity Implications

5.3.1 The purpose of this report is to review the implementation of the Treasury management policy in 2019/20. Before investments are placed with counter parties the Council has the discretion not to invest with counter parties where there are concerns over sovereign nations' human rights issues.

5.3.2 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.

5.4 Risk Implications

- 5.4.1 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.
- 5.4.2 There remains uncertainty on the impact of exiting the EU on UK economy and borrowing rates. Officers monitor interest rate forecasts to inform the timing of borrowing decisions.
- 5.4.3 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.
- 5.4.4 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.

5.5 Policy Implications

- 5.5.1 This report confirms treasury decisions have been made in accordance with the existing policy.

5.6 Climate Change Implications

- 5.6.1 The council's investment portfolio is sterling investments and not directly in companies. However the TM team will review the use of Money Market funds in 2020/21 to ensure, where possible, money market funds that invest in environmentally sustainable companies are used. In this way the TM team will align with the Councils ambition to attempt to be carbon neutral by 2030.

BACKGROUND PAPERS

- BD1 Mid-year Treasury update (Council 29 January 2020)
- BD2 Treasury Management Strategy including Prudential Code Indicators 2019/20 (Council 27 February 2019)

APPENDICES

- Appendix A Prudential Indicators
- Appendix B Investment and Borrowing Portfolio

Capital Expenditure (Based on Capital Strategy Outturn 2019/20):	2019/20	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23
	Original Estimate February 2019	Revised Mid year review 19-20	Revised Final Cap Feb 20 Exec	Actual	Revised Cap Outturn July 20 Exec	Revised Cap Outturn July 20 Exec	Revised Cap Outturn July 20 Exec
	£000	£000	£000	£000	£000	£000	£000
General Fund	32,188	32,923	31,224	13,140	36,715	8,510	18,129
HRA	47,792	33,706	33,249	30,387	34,763	60,245	54,010
Total	79,979	66,629	64,473	43,527	71,478	68,755	72,139

Ratio of financing costs to net revenue stream:	2019/20	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23
	Original Estimate February 2019	Revised Mid year review 19-20	Revised Final Cap Feb 20 Exec	Actual	Revised Final Cap Feb 20 Exec	Revised Final Cap Feb 20 Exec	Revised Final Cap Feb 20 Exec
	%	%	%	%	%	%	%
General Fund Capital Expenditure	6.77%	6.77%	5.60%	8.22%	6.43%	7.62%	7.73%
HRA Capital Expenditure	16.78%	16.78%	16.83%	15.16%	18.68%	20.56%	21.18%

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.

Authorised Limit for external debt	2019/20	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23
	Original Estimate February 2019	Revised Mid year review 19-20	Revised Final Cap Feb 20 Exec	Actual	Revised Cap Outturn July 20 Exec	Revised Cap Outturn July 20 Exec	Revised Cap Outturn July 20 Exec
	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	43,341	48,407	55,317	55,317	70,004	71,585	78,230
Borrowing - HRA	235,729	224,034	223,824	223,824	241,771	267,335	289,827
Total	279,070	272,441	279,141	279,141	311,775	338,920	368,058

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. The Operational Boundary and Authorised Limit include £15m for the Queensway residential lease, and £6m for the Bus Station.

Operational Boundary for external debt	2019/20	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23
	Original Estimate February 2019	Revised Mid year review 19-20	Revised Final Cap Feb 20 Exec	Actual	Revised Cap Outturn July 20 Exec	Revised Cap Outturn July 20 Exec	Revised Cap Outturn July 20 Exec
	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	38,341	46,407	53,317	53,317	68,004	69,585	76,230
Borrowing - HRA	230,729	218,034	217,824	217,824	235,771	261,335	283,827
Total	269,070	264,441	271,141	271,141	303,775	330,920	360,058

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 £15m from 20/21 for the Queensway residential lease (acquisition values), and £6m for the Bus Station. £11.75m for the Queensway commercial lease is in the 19/20 opening figures.

Gross & Net Debt	2019/20	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23
	Original Estimate February 2019	Revised Mid year review 19-20	Revised Final Cap Feb 20 Exec	Actual	Revised Cap Outturn July 20 Exec	Revised Cap Outturn July 20 Exec	Revised Cap Outturn July 20 Exec
	£000	£000	£000	£000	£000	£000	£000
Gross External Debt - General Fund	38,341	30,124	16,896	2,545	20,963	23,350	30,851
Gross External Debt - HRA	230,729	211,231	211,231	206,684	226,784	252,348	274,840
Gross External Debt	269,070	241,355	228,127	209,229	247,747	275,698	305,691
Less Investments	(38,770)	(63,741)	(50,664)	(54,072)	(61,176)	(51,008)	(45,622)
Net Borrowing	230,301	177,614	177,463	155,157	186,571	224,690	260,070

The Gross External Debt is the actual debt taken out by the Council plus any relevant long term liabilities. The Gross External Debt should not exceed the Operational Boundary for external debt. For 2019/20 there is estimated borrowing of £14.35m for the General Fund and £8.6m for the HRA, none of which has been taken to date.

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.

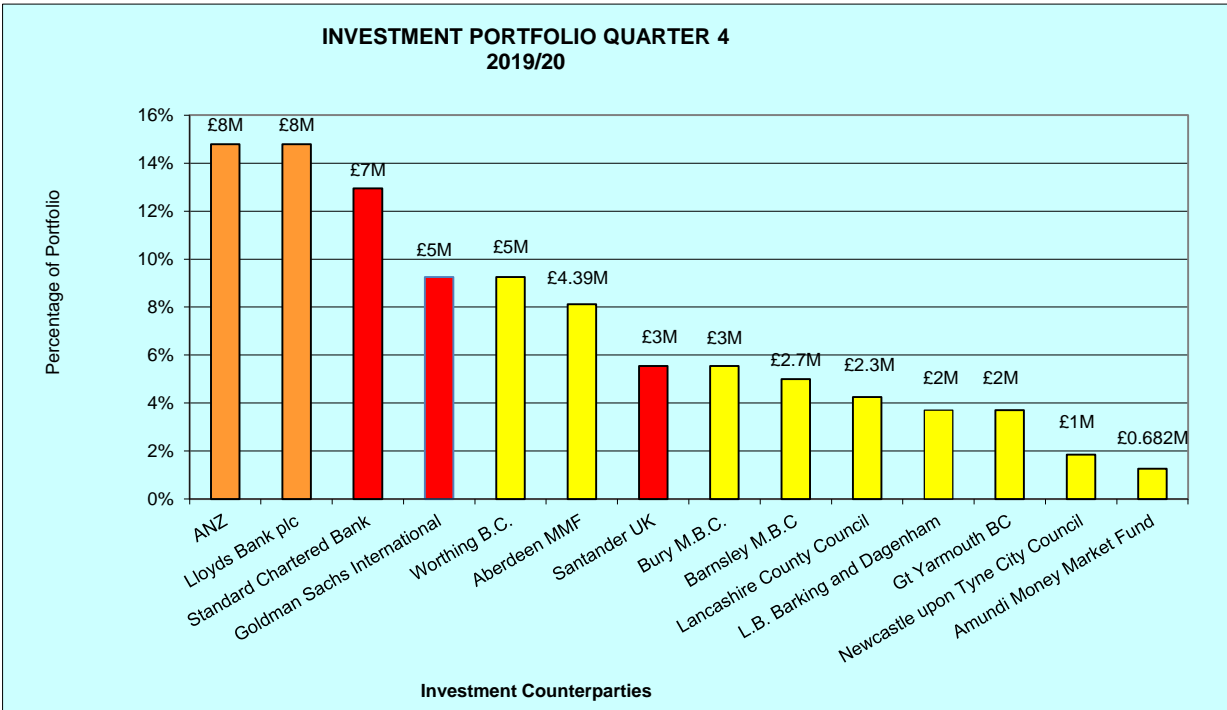
Capital Financing Requirement	2019/20	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23
	Original Estimate February 2019	Revised Mid year review 19-20	Revised Final Cap Feb 20 Exec	Actual	Revised Cap Outturn July 20 Exec	Revised Cap Outturn July 20 Exec	Revised Cap Outturn July 20 Exec
	£000	£000	£000	£000	£000	£000	£000
Capital Financing Requirement GF	35,841	41,407	42,317	28,053	46,004	47,585	54,230
Capital Financing Requirement HRA	210,729	216,034	215,824	213,671	233,771	259,335	281,827
Total Capital Financing Requirement	246,570	257,441	258,141	241,724	279,775	306,920	336,058

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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Average interest rate - 2018/19 **0.86%**
 Average interest rate - 2019/20 **0.98%**
 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>
Money Market Funds (Instant Access)						
Amundi MMF	UK		682,000			0.68
Aberdeen MMF	UK		4,390,000			0.86
95 Day Notice						
Standard Chartered Bank	UK	AA-	7,000,000			0.38
Fixed Term Deposit						
Newcastle City Council	UK	AA-	1,000,000	03-Apr-17	03-Apr-20	1.00
London Borough of Barking and Dagenham	UK	AA-	2,000,000	09-Jan-17	09-Apr-20	0.98
Bury M.B.C.	UK	AA-	3,000,000	16-Mar-20	15-Apr-20	1.02
Goldman Sachs International	UK	AA-	5,000,000	17-Dec-19	17-Jun-20	0.93
Santander UK	UK	AA-	3,000,000	02-Jan-20	02-Jul-20	0.95
Australia & New Zealand Banking Corporation	AUS	AAA	4,000,000	17-Jul-19	15-Jul-20	1.02
Australia & New Zealand Banking Corporation	AUS	AAA	4,000,000	13-Aug-19	11-Aug-20	1.02
Lancashire County Council	UK	AA-	2,300,000	06-Sep-18	07-Sep-20	1.20
Lloyds Bank plc	UK	AA-	5,000,000	22-Nov-19	20-Nov-20	1.10
Lloyds Bank plc	UK	AA-	3,000,000	22-Jan-20	20-Jan-21	1.10
Great Yarmouth Borough Council	UK	AA-	2,000,000	16-May-18	17-May-21	1.45
Barnsley Metropolitan Borough Council	UK	AA	2,700,000	15-Sep-17	15-Sep-21	0.98
Worthing Borough Council	UK	AA-	5,000,000	05-Dec-19	06-Dec-21	1.50
			54,072,000			



LOAN PORTFOLIO QUARTER 4 (31st March 2020)

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
			<u>11,773,000</u>			

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
			<u>194,911,000</u>			

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	789,473	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
			<u>2,545,423</u>			

Total Borrowing

209,229,423

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