

# Public Document Pack



## AUDIT COMMITTEE

**Date: Wednesday, 7 September 2022**

**Time: 6.00pm**

**Location: Council Chamber, Daneshill House, Danestrete, Stevenage**

**Contact: Ian Gourlay (01438) 242703**

**committees@stevenage.gov.uk**

Members: Councillors: T Callaghan (Chair), J Gardner (Vice-Chair), M Arceno, S Booth, A Farquharson, J Hollywell, G Lawrence CC, M McKay, L Rossati and T Wren.  
Mr G Gibbs (Independent Co-opted Non-voting Member)

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## AGENDA

### **PART I**

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

**2. MINUTES - 7 JUNE 2022**

To approve as a correct record the Minutes of the meeting of the Audit Committee held on 7 June 2022.

Pages 3 – 8

**3. 2019/20 EXTERNAL AUDIT UPDATE**

To consider a verbal update from Ernst & Young on the 2019/20 External audit.

**4. 2021/22 ANNUAL FRAUD REPORT AND PROGRESS WITH DELIVERY OF THE 2022/23 ANTI-FRAUD PLAN**

To consider the Shared Anti-Fraud Service (SAFS) Annual Report 2021/22; and progress with delivery of the 2022/23 Anti-Fraud Plan.

Pages 9 – 32

**5. INTERNAL AUDIT PLAN 2022/23 - PROGRESS REPORT**

To consider progress in respect of the Shared Internal Audit Service (SIAS) Internal Audit Plan 2022/23.

Pages 33 – 46

**6. ANNUAL TREASURY MANAGEMENT REVIEW OF 2021/22 INCLUDING PRUDENTIAL CODE**

To consider the Annual Treasury Management review of 2021/22, including Prudential Code.

Pages 47 – 68

**7. URGENT PART I BUSINESS**

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

**8. EXCLUSION OF PUBLIC AND PRESS**

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in Paragraphs 1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.
2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

**9. PART II MINUTES - AUDIT COMMITTEE - 7 JUNE 2022**

To approve as a correct record the Part II Minutes of the meeting of the Audit Committee held on 7 June 2022.

Pages 69 - 70

**10. STRATEGIC RISK REGISTER**

To consider the latest Strategic Risk Register.

Pages 71 - 124

**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, 7 June 2022**

**Time: 6.00pm**

**Place: Council Chamber, Daneshill House, Danestrete, Stevenage**

**Present:** Councillors: Teresa Callaghan (Chair), John Gardner (Vice-Chair), Myla Arceno, Stephen Booth, Alex Farquharson, Jackie Hollywell, Graham Lawrence CC, Maureen McKay and Loraine Rossati.

**Start / End Time:** Start Time: 6.00pm  
End Time: 6.52pm

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

Apologies for absence were received from Councillor Tom Wren and Mr Geoff Gibbs (Independent Co-opted Non-voting Member).

There were no declarations of interest.

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

It was moved, seconded and, following a vote, **RESOLVED** that Councillor John Gardner be elected as Vice-Chair of the Audit Committee for the 2022/23 Municipal Year.

#### **3 MINUTES - 28 MARCH 2022**

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 28 March 2022 be approved as a correct record and signed by the Chair.

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

The Committee received a tabled set of revised Terms of Reference, which contained minor amendments.

It was **RESOLVED** that the Terms of Reference for the Audit Committee, as agreed by the Annual Council meeting on 25 May 2022, and with the minor amendments as per the version tabled at the meeting, be noted.

#### **5 2019/20 AND 2020/21 EXTERNAL AUDIT OF SBC ACCOUNTS - UPDATE**

The Committee received a verbal update from Ernst & Young in respect of the 2019/20 and 2020/21 External audit of SBC accounts.

Neil Harris (Ernst & Young) reminded Members that, at the joint Audit

Committee/Statement of Accounts Committee meeting held in late February 2022, they were advised that the 2019/20 audit of accounts was substantially complete, with a target of the end of April 2022 for full completion.

Neil explained that since then a national issue had arisen regarding how expenditure on replacement infrastructure was accounted for in local authority accounts. CIPFA was currently consulting in respect of this issue. This was very much a technical exercise to ensure that there was no material understatement or overstatement of infrastructure assets. Ernst & Young was waiting for the conclusion of this consultation process before signing off the 2019/20 accounts.

Neil also referred to an actuarial error relating to the 2019/20 accounts with regard to an overstatement of the Pension Fund assets concerning the Hertfordshire Building Control Consortium. An appropriate correction would therefore be made to the 2019/20 accounts.

Neil advised that he had agreed with the Strategic Director (CF) that the aim would be to conclude the 2020/21 audit by the end of July 2022.

In respect of the 2020/21 audit, Neil commented that fieldwork would be continuing throughout July 2022, although the external audit plan for the 2020/21 accounts would need to be reviewed before being presented to the Audit Committee.

Neil informed the Committee that he would be leaving Ernst & Young in early September 2022 to take up a senior position with the Financial Reporting Council.

In reply to a question from the Chair, Neil confirmed that he was committed to the completion of the 2019/20 audit. Ernst & Young was in the process of reviewing their Engagement Leads for Local Authority auditing. He undertook to ensure a smooth handover of duties, and agreed to advise the Committee of the name of the new Engagement Lead once appointed.

It was **RESOLVED** that the verbal update from Ernst & Young regarding the 2019/20 and 2020/21 External audit of SBC accounts be noted.

## **6 ANNUAL ASSURANCE STATEMENT AND ANNUAL REPORT 2021/22**

The SIAS Client Audit Manager presented a report in respect of the SIAS Annual Assurance Statement and Annual Report 2021/22.

The SIAS Client Audit Manager advised that, based on the results of the Public Sector Internal Audit Standards self-assessment, the Head of Assurance (Hertfordshire County Council) had concluded that SIAS “generally conforms” with internal audit standards. It was noted that “generally conforms” was the highest rating and meant that SIAS had a charter, policies and processes assessed as conformant to the standards and was consequently effective.

The SIAS Client Audit Manager stated that a reasonable assurance opinion had been issued regarding the Council’s financial and non-financial systems, and that SIAS had concluded that SBC’s corporate governance and risk management

frameworks substantially complied with the CIPFA/SOLACE best practice guidance on corporate governance.

The SIAS Client Audit Manager referred to the proposed Audit Charter, set out at Appendix D to the report, was unchanged from the 2021/22 version.

In response to a number of Member questions, the SIAS Client Audit Manager stated that:

- he accepted that the report was of a technical nature, and would endeavour to remove as many technical terms as possible from future versions;
- the efficiency/effectiveness of audits generally depended on the adequacy of audit fieldwork, which was led by an evidence-based approach. Audits were also subject to an internal quality review, as were any judgements made;
- in Paragraph 1.3 of the report, the phrase “business as usual” referred to the situation going forward, rather than suggesting that the Council had returned to its pre-pandemic position;
- he would ensure that the abbreviations “C, H, M and NA” shown in the Audit Plan (Appendix A) were explained earlier in the document in future versions; and
- in Paragraph 3.5 of the report, the Landlord Health and Safety Follow up audit did include Council tenanted and leasehold properties. It covered areas of building compliance, such as gas, electrical and water safety.

In relation to the cancelled IT Resilience audit, the Strategic Director (CF) advised that it was hoped that the resilience of the shared IT service would be addressed via the recently established Joint SBC/EHC ICT Executive Committee.

It was **RESOLVED**:

1. That the Annual Assurance Statement and Internal Audit Annual Report 2021/22 be noted.
2. That the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted.
3. That the SIAS Audit Charter, as attached at Appendix D to the report, be approved.
4. That it be confirmed that the scope and resources for internal audit were no subject to inappropriate limitations in 2021/22.

## **7 ANNUAL GOVERNANCE STATEMENT 2021/22 AND LOCAL CODE OF CORPORATE GOVERNANCE**

The Corporate Performance and Improvement Officer presented Annual Governance Statement (AGS) and Local Code of Corporate Governance for 2021/22.

The Corporate Performance and Improvement Officer advised that the AGS was required to be reviewed each year, and had to be published in draft by 31 July 2022. It described the Council's governance arrangements, how they were reviewed, significant governance challenges and actions to address them. She drew attention to the planned improvement activity for 2022/23 set out at the end of the AGS document.

The Corporate Performance and Improvement Officer stated that the Local Code of Corporate Governance had been drawn up in conformity with the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government (2016)". The document had been reviewed, and the major changes were summarised in the table set out in Paragraph 3.2.4 of the report.

The Chair and Strategic Director (CF) thanked the Corporate Performance and Improvement Officer for her work on the report.

In response to a Member's question, the Strategic Director (CF) commented that the determination of what was in the "public interest" in terms of the AGS related to ensuring that the Council had the best possible governance principles in place to act in residents' best interests, including appropriate and robust controls, whilst recognising that actions could be implemented to achieve continuous improvement.

It was **RESOLVED**:

1. That the changes to the Council's Local Code of Corporate Governance, as attached at Appendix 1 to the report, be approved.
2. That the Council's 2021/22 Annual Governance Statement, as attached at Appendix 2 to the report, be recommended for approval by the Statement of Accounts Committee.

## **8 URGENT PART 1 BUSINESS**

None.

## **9 EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED** that:

1. Under Section 100A 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. Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

**10 PART II MINUTES - AUDIT COMMITTEE - 28 MARCH 2022**

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 28 March 2022 be approved as a correct record and signed by the Chair.

**11 STRATEGIC RISK REGISTER**

The Corporate Performance and Improvement Officer presented a report providing the Quarter 4 2021/22 (January to March 2022) update in respect of the Strategic Risk Register.

The Corporate Performance and Improvement Officer, assisted by the Strategic Director (CF), responded to a number of questions raised by Members on the report.

It was **RESOLVED** that the latest Strategic Risk Register, as set out at Appendix A1 to the report, be noted.

**12 URGENT PART II BUSINESS**

None.

**CHAIR**

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## Stevenage Borough Council

### 2021/22 Annual Fraud Report and progress with delivery of the 2022/23 Anti-Fraud Plan

#### Recommendation

Members are recommended to:

- Note the Councils work to combat fraud in 2021/22
- Note the performance of SAFS in meeting its KPIs in 2021/22
- Note the Progress with delivering the Anti-Fraud Plan for 2022/23

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3	<b>Purpose &amp; Background</b>
5	<b>Delivery of the 2021/22 Anti-Fraud Plan</b>
13	<b>SAFS Performance and KPIs</b>
15	<b>2022/2023 Anti-Fraud Activity – Brief</b>
16	<b>Transparency Code- Fraud Data</b>
17	<b>List of Background Papers</b>

## **Appendices**

A. SBC Anti-Fraud Plan 2021/2022

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## Purpose

1. This report provides details of the work undertaken by the Council and the Shared Anti-Fraud Service to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2021/2022. It also provides a brief update on work to date in 2022/23.

## Background

2. Recent national reports and papers provided to Council Officers are used by the Shared Anti-Fraud Service (SAFS) to ensure that the Council is aware of new and emerging fraud risks as well as those established/known risks. This helps to mitigate or manage all fraud risks through a programme of work including the Council's Annual Anti-Fraud Plan. Details of these reports, along with other recommended reading for Members, can be found below and at **para 55** of this report.

3. Some of the most significant recent reports include:

***Fighting Fraud and Corruption Locally a Strategy for the 2020's.*** This strategy focuses on the governance and 'ownership' of anti-fraud and corruption arrangements. The Strategy also identifies areas of best practice and includes a 'Checklist' to compare against actions taken by the Council to deter/prevent/investigate fraud. The checklist is maintained and reviewed by SAFS and Officers.

***Tackling Fraud in the Public Sector 2020.*** 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 and MHCLG.

***COVID-19 Counter Fraud Measures Toolkit.*** The Government Counter Fraud Function within the Cabinet Office provided a 'toolkit' of services, guidance, support for local government as part of the national response to the Covid-19 outbreak in the UK.

***Calculating Losses from Tenancy Fraud.*** Since the closure of the Audit Commission in 2012 there has been no concerted effort to put a value on the cost to local authorities of tenancy fraud. This paper, published by the Fraud Advisory Panel & Charity Commission in 2021, estimates that the cost to local government for each social property that is detected as being sub-let is £42,000.

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4. According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the private sector fraud risk across local government in England exceeds £2 billion each year, with some more recent reports indicating levels considerably higher than this.
5. The Cabinet Office, Department for Levelling Up, Housing and Communities (DLUHC), National Audit Office, and CIPFA have also issued advice, and best practice guidance to support local councils in the fight to combat fraud and prevent loss to the public purse. This includes the need for all councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver tangible savings.
6. It is essential that the council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
7. Stevenage Borough Council is one of the founding members of the Shared Anti-Fraud Service (SAFS) and Members of this committee have received regular reports since 2015 about how the SAFS deals with all aspects of fraud from prevention & deterrence to investigation & prosecution, working with staff at all levels across the Council.

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## **Delivery of the 2021/2022 Anti-Fraud Plan**

### 2021/2022 Plan

9. In March 2021 this committee approved the Anti-Fraud Plan for 2021/2022 which was developed with council officers in partnership with SAFS. A copy of the Plan can be found at **Appendix A**.
10. The Plan includes resources and costings for its delivery, and activity to protect the Council from fraud. The plan includes Key Performance Indicators (KPIs) for SAFS which were agreed with senior officers. The SAFS KPI performance can be found in **Table 6**.
11. The Anti-Fraud Plan for 2021/22 was designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL) by adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue.
12. In 2021/2022 the Council adopted the FFCL checklist as a 'To-do' list to assist in identifying weaknesses in its anti-fraud defences and a method to provide assurance to senior leaders and elected members about the effectiveness of the Council's anti-fraud activity. We will use the checklist as the backbone of the Council's anti-fraud plans from 2022/23 onwards, adding additional actions/objectives as they arise or become relevant for Stevenage Borough Council.

### Staffing

13. The SAFS Team (in April 2021) was composed of 20 accredited and trained counter fraud staff and is based at Hertfordshire County Council's offices in Stevenage.
14. Each SAFS Partner receives dedicated support and response, this is achieved by allocating a number of staff to work exclusively for each Partner, but also allowing officers within the Team to work across Partners from time to time. Providing the Service in this way allows SAFS staff to develop good working relationships with council officers as well as improved resilience and flexibility across the Partnership. SAFS staff have access to council offices, officers and systems to conduct their enquiries.
15. For 2021/22 SAFS (in line with the plan) deployed 1 FTE to work exclusively for the council supported by SAFS Management and Support Team based at Stevenage. The Council and SAFS also arranged for the secondment of the

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Councils Tenancy Fraud Officer into SAFS and this continues to provide a much enhanced service for the Council, with the officer in question provided with the same management and support as other SAFS officers. The Support Team includes specialists in data-analytics, financial investigations and Intelligence Officers.

16. SAFS officers are all fully trained and accredited and members of or working towards membership of the Government Counter Fraud Profession. The Profession is divided into specialisms including awareness training, fraud risk assessment, investigations, intelligence, data-analytics and fraud management.

#### Fraud Awareness and Reported Fraud

17. A key objective for the Council is to continue developing its existing anti-fraud culture; ensuring senior managers and members consider the risk of fraud when developing policies or processes; helping to prevent fraud occurring; deterring potential fraud through external communication; encouraging all officers to report fraud where it is suspected; and providing public confidence in the Councils stance on fraud and corruption. In 2021/2022, working closely with SAFS, Council officers to review of anti-fraud policies ready for publication in 2022.

18. The council's website has links for the public to report fraud by email, telephone or using the SAFS online reporting tool. As well as encouraging the public to report any suspected fraud to the Council:

[Reporting Fraud \(stevenage.gov.uk\)](https://www.stevenage.gov.uk/reporting-fraud)

The SAFS webpages include latest news and reports on fraud cases.

[www.hertfordshire.gov.uk/fraud](https://www.hertfordshire.gov.uk/fraud)

19. Council staff can use the same methods to report fraud or if they work within Housing, Revenues & Benefits Services they can report fraud directly to SAFS staff working at the council.

20. SAFS delivered training to staff via remote/virtual means during 2021/2022 including general fraud awareness, use of the services provided by National Anti-Fraud Service and new services provided by the Cabinet Office as part of the National Fraud Initiative.

21. The e-training module on fraud and bribery is available for staff and a new version of this began development in 2021 and will be completed by the summer of 2022.

#### SAFS and Covid-19 Fraud 2021/2022

22. SAFS ability to conduct investigations in 2021/22 continued to be affected by Government lockdowns throughout the year. The service remained in a good

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position to work from home, as the IT infrastructure and working practices were already in place, the impact on our work resulted from the restrictions when working with others.

- The DWP Fraud and Error Service, who we work with on many cases, redeployed all counter fraud staff to the frontline delivery of Universal Credit. These staff only began to return to normal duties, in limited numbers, from early 2022.
  - We were hampered in accessing the data held by our Partner Councils where we did not have remote access to systems. We have now improved our remote access to many Council systems.
  - Council staff were focused on the local responses to the Covid pandemic and we saw 'business as usual' fraud reporting decline.
  - We had to put special measure in place to interview witnesses or the subjects of investigations due to the lock-down/social distancing restrictions.
  - In addition to this the courts dealing with civil and criminal matters had a backlog of cases due to their enforced closures in 2020/2021 and limited capacity in 2021/2022.
- 23.** During the pandemic we felt that the SAFS role around prevention should be the priority for the service and the imposition of 'sanctions' were suspended as they could be counterproductive. We made a decision to resolve most low-level fraud by closing cases and sending advisory or compliance letters to customers. More serious allegations of fraud or those needing immediate attention would be prioritised and, cases that met this threshold, but could not be dealt with quickly, should be 'overloaded' (the allegations were recorded, but any further action suspended until a later date when appropriate resources could be released) for review post lockdown.
- 24.** SAFS provided support with all of the Grants schemes administered by Council officers, as well as undertaking data-cleansing exercises providing pre and post payment assurance. SAFS provided guidance to Council officers dealing with the various grant schemes on the services provided by NAFN, CIFAS and the Cabinet Office. SAFS conducted investigations where fraudulent applications for grants appeared to have been made and worked closely with Council officers to resolve these.

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**Case Study 1:** *In 2021 an allegation passed to SAFS indicated that a Covid Business Grant application had been paid to a person who may not have been entitled to the payment.*

*An investigation conducted by SAFS revealed that the tenant of a business address owned by the Council had, without the Councils knowledge or consent, sold the business to a third party prior to March 2020 (this was the relevant date for the first tranche of Covid Business Grants) although the lease had remained in the original business owners name.*

*When the new occupier came forward to apply for a Grant in March/April 2020 it was found that the previous occupier or an agent for them had made a fraudulent application for the Grant in the old business name- which the Council still held as the tenant had failed to report the changes in accordance with their lease.*

*As a result of the investigation it was found that a £10,000 grant had been paid to someone not entitled to it and recovery action commenced. Papers are now with the Councils legal team to consider charges for offences of fraud against a number of individuals.*

25. SAFS provided enhanced and more frequent alerts about mandate / phishing frauds from national bodies including Cabinet Office, CIFAS/CIPFA/NFIB, Police and NAFN.

**Case Study 2:** *The Head of Procurement at SBC contacted SAFS after they had received what appeared to be spam email from Stevenage Leisure Limited asking if their bank details could be changed on the Councils finance systems prior to the December 2021 payroll.*

*The officer recognised it is an attempted fraud and took no further action with the email after referring the matter to SAFS.*

*SAFS reported the email Action Fraud and the shared the MO with the National Anti-Fraud Network to disseminate to other Councils.*

*The Councils IT Team reviewed the email to check for an viruses and the email account was blocked. The email details were also shared with the National Cyber Security Centre (NCSC).*

26. SAFS maintains its close relationship with its sister service the Shared Internal Audit Service (SIAS) sharing knowledge of known frauds/trends to help inform audit planning. The excellent working relationship with the council's Legal Team has been maintained including work on civil recovery of council homes, criminal litigation and policy review.



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Reactive and Proactive Fraud Investigation

27. In 2021/2022 SAFS issued fraud alerts on more than 20 occasions to Council officers/departments. These alerts covered areas such as the vulnerability to cybercrime for home working staff, new and emerging scams and spams, ‘impersonation’ or CEO frauds and the increased threat of fraud caused by the Council/Government response to the ongoing Covid pandemic.
28. SAFS receives weekly/monthly/ad-hoc updates on new threats from a variety of sources including National Anti-Fraud Network (NAFN), National Cyber Security Centre (NCSC), National Intelligence Service (NATIS), City of London Police & National Fraud Intelligence Bureau (NFIB-national lead on fraud and cyber-crime for policing and part of Action Fraud), London Fraud Forum (LFF), Credit Industry Fraud Avoidance Service (CIFAS), CIPFA, Hertfordshire Constabulary (including OWL) and Trading Standards.
29. During 2021/2022 SAFS received 112 allegations of fraud affecting council services (a slight decrease from 2020/2021).

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

Council Tax Discount Fraud	Housing Benefit/CTR Fraud	Tenancy/Housing	Blue Badge	Other *	Total
6	56	39	4	7	112

\*Other includes Payroll/Grants/Mandate etc.

**Table 2. Who is reporting fraud:**

Fraud Reported by Staff	Reports from Public	Data-Matching/Proactive Investigations	Other Agencies	Total
43	59	10	0	112

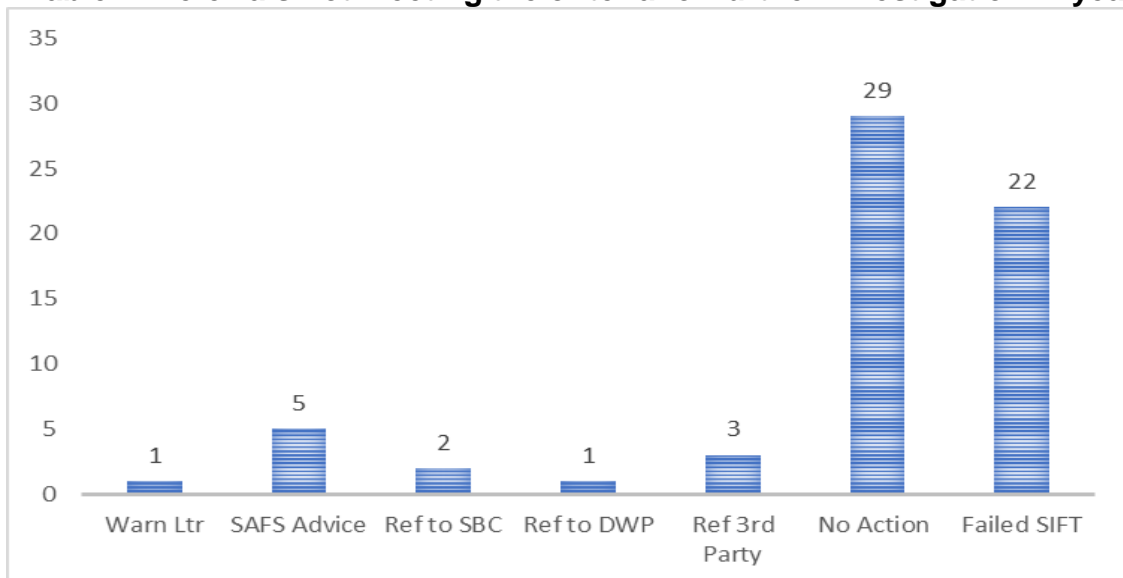
30. We continue to work with the Councils Communication Team to issue publicity encouraging the public to report fraud and help protect public funds, as well as press releases of cases investigated/prosecuted by the Council. The Council takes part in *International Fraud Awareness Week* in November each year.

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



31. It should be emphasised that not every referral/allegation will need investigation and some allegations can be false/misleading or simply ill-informed. Every referral is risk assessed and sifted by the SAFS Intelligence Team to determine what further action should be taken with each. 63 of the allegations received for the Council in 2021/22 did not meet the criteria for further investigation.

**Table 4. Referrals not meeting the criteria for further investigation in year**



32. 'Failed Sift' is where the allegation cannot be attributed to any service provided by the Council. 'No Action Required' are referrals where the subject can be identified, but no error/fraud is apparent, or the Council is already aware of the facts reported. Referrals that are passed to 'DWP', 'SBC' or to 3<sup>rd</sup> parties occur where another agency is best placed to deal with the matter. 'SAFS Advice' is where some

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guidance/advice/support has been provided to Council officers, but a full investigation is not required. Warning Letters can be used for small value frauds to encourage compliance with the rules/guidance/legislation.

33. In addition to the referrals that did not require an investigation 15 'low risk' cases involving alleged housing benefit or council tax fraud were resolved through compliance activity or review. This resulted in the identification of £12k in additional savings for the Council. These lower-risk cases would previously have become full investigations taking up valuable resources.
34. At this time many cases raised for investigation are still in the early stages. However, of the 42 cases (an increase from 38 in 2020/2021) investigated and closed in the year, 23 identified fraud - with recoverable losses of £253k, and fraud savings (through prevention) of £251k reported. Senior officers have been provided with a detailed breakdown of which services have been affected by fraud and the outcomes from individual investigations.
35. At year end of March 2022 46 cases remained under investigation with an estimated fraud loss of just over £450k.

**Table 5. Fraud Investigations Closed Each Year (SBC)**



36. As well as the financial values identified SAFS assisted in the recovery of 7 Council properties that were subject to some form of tenancy fraud. SAFS have conducted 71 reviews of 'right to buy' applications and uncovered one fraudulent 'right to buy' application, preventing a property being lost from the councils housing stock.

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**Case Study 3:** *In the summer of 2021 information was received by the Council that tenants of a Council property in the St Nicholas Ward had left the property and moved abroad.*

*An investigation conducted by SAFS confirmed that the tenant had moved abroad and had sub-let their property in breach of their tenancy agreement.*

*Evidence was obtained about the location of the tenant including their new address abroad and intention to remain outside the UK as well as details of rent passing between them and the person they had illegally sublet the property to.*

*The property has not been recovered and will be relet to a family from the Councils Housing Register. The costs to the Council of this fraud exceed £10,000.*

*SAFS and Council Officers are considering what further action can be taken in this case.*

37. SAFS had also identified, by the end of March 2022, that a further 4 council properties were being sub-let, or misused, in contravention of the tenancy agreements. These matters had all been reported to the council's housing and legal services.
38. SAFS works with several social housing across Hertfordshire providing a tenancy fraud service, any properties recovered in the council's catchment area are let to families from the housing register. In 2021/22 two such cases were investigated within Stevenage.
39. The majority of fraud referrals received from the public relate to housing benefit or council tax reductions/discounts. SAFS and the Councils Revenue and Benefit services work closely with each other and, on occasion, with the DWP Fraud and Error Service (FES), to investigate allegations of this nature.

**Case Study 4:** *As part of a proactive drive by SAFS to identify fraud on the Councils Housing Register a data-match identified that a person applying for housing from an address in the Great Ashby Ward had declared that they lived at the same address as a person claiming a council tax discount.*

*Further enquires by SAFS showed that the liable person and tenant living at the address was claiming a number of state benefits and the council tax discount as a single person who was not in employment. Enquiries about the person on the Housing Register indicated that they were the partner of the person who was claiming benefits as if they lived alone.*

*When spoken to about the evidence obtained the subject of the investigation admitted having their partner living with them since 2018 and all benefits and discounts were*

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*removed from that date, creating overpayments of housing benefit and council tax discounts in excess of £7,000.*

40. SAFS have worked closely with the council's HR and Legal teams on a number of allegations involving staff misconduct and this resulted in two members of staff being disciplined or dismissed in 2021/2022.

**Case Study 5:** *In 2020 an allegation was received that a Council employee was obtaining building materials using a purchasing card and selling these same materials online as well scrapping lead metal from the Councils depot to local merchants for personal gain.*

*A disciplinary investigation was undertaken by SAFS supported by HR and the employee made admissions to stealing and misusing Council property. The employee was dismissed for gross misconduct in August 2021*

*A criminal investigation followed and found further evidence of thefts dating back to 2017. The employee further admitted to stealing as far back as 2017 in a formal interview, but an exact cost could not be quantified at the time. It is now estimated that the loss caused to the Council exceeded £30,000.*

41. SAFS supported the Council in its compliance with the National Fraud Initiative (NFI) matches received in January 2021. The NFI is a national anti-fraud data sharing exercise conducted by the Cabinet office every two years across local and central government.

#### **SAFS KPI Performance 2021/22**

42. As part of the Councils Anti-Fraud Plan for 2021/22 a number of KPIs were agreed with SAFS to measure its performance, and the return on investment.
43. With the exception of 4D, 5C,5D and 6C all objectives were met in 2021/22.

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**Table 6. SAFS KPIs for 2021/2022 and Performance**

KPI	Measure	Target 2021/22	Performance
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.	Regular meetings take place with members of the Councils senior leadership team.  The Councils Strategic Director (CFO) sits on the SAFS Board in 2021/22 and received updates from SAFS.  SAFS reports are provided to its Board, and the Councils Audit & Governance Committee.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. Reports to Audit Committee. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	A. 1 SAFS FTE in place for 2021/2022 as well as SBC TFO secondment to SAFS for 2021/22. B. Reports to AC in July/Dec/March. C. SAFS works closely with Service Champions across the Council and sits on the Corporate Government Group.
3	Action on reported fraud.	A. All urgent/ high risk cases 1 Day. B. All other cases 2 Days on Average.	A & B. All referrals responded to within 24 hours on average.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 10 Training events for staff/Members in year.	A. SBC has membership of NAFN and PNLD licence via SAFS. B. SAFS is a member of CIPFA via HCC. C. Training has been provided to staff by SAFS and via NAFN webinars. D. <b>Nine training events were delivered in 2021/22 for officers in Housing/Benefits and Finance.</b>
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. C. Achieving a 60% success rate of cases selected for investigation. D. Assist in the recovery of property, prevention of fraudulent RTB applications- 12 properties in total.	A. All referrals are logged onto the SAFS CMS. B. The outcomes of all cases are captured on the CMS and reported to Partners and Board. C. <b>55% Achieved. Of 42 cases closed 23 had a 'positive' outcome.</b> D. <b>7 Properties were recovered in 2021/22 and 1 RTB was prevented. Although the target of 12 was not achieved 4 cases are awaiting recovery but delayed due to backlogs in courts.</b>
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2020/21 Output and reports across services. B. Support the implementation of the Herts FraudHub at EHC. C. Consider other areas where the better use of data will benefit the Council financially.	A. NFI Exercise complete with, a full review by the Council B. SBC joined the Herts FraudHub in early 2022. C. <b>SAFS focus on the FH and clean-up of the NFI work in 2021/22 was our priority. We are considering other areas for the improved use of data in 22/23.</b>

September 2022

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### **2022/2023 Anti-Fraud Activity**

- 45.** The council has in place an Anti-Fraud, Bribery & Corruption Policy and an Anti-Money Laundering Policy, and these have been reviewed to maximise their impact on prevention and deterrence as well as updating the policies in line with changes to legislation. The ongoing review of policies includes the Whistleblowing Policy which has been reviewed with HR and legal services as well as senior management.
- 46.** The 2022/2023 Anti-Fraud Plan was approved by this Committee at its March 2022 meeting. This Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Locally Strategy for the 2020s*. The Plan also includes assurance that the council benefits from a positive return on its investment in the SAFS Partnership.
- 47.** Training has already been delivered to new and existing staff in Housing Services on fraud awareness and reporting. Training is planned for staff in legal, finance, housing, procurement through September and October on the Councils new Anti-Money Laundering policy.
- 48.** Between April and July 2022 a further 45 allegations of fraud have been reported to the Council/SAFS, 47 cases remain open with an estimated value of £350k, 8 cases have been closed and fraud losses/savings combined of £210k recorded. Three Council properties have been recovered and 33 right to buy reviews completed.
- 49.** SAFS are currently working with the Councils parking enforcement service investigating an alleged serious abuse of stolen or misused Blue Badges in a number of locations across the Borough.
- 50.** A further report will be provided to Members on all activity being undertaken to prevent the Council suffering significant losses due to fraud in December 2022.

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## Transparency Code – Fraud Data

51. 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.

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

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))

53. The Code requires that Local Authorities publish the following data in relation to Fraud. The response for Stevenage Council for 2021/2022 is in **Bold**:

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

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

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

**2.5 FTE**

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

**2.5 FTE**

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

**£108 (SAFS fee) + TFO- Est- £40k**

- Total number of fraud cases investigated.

**42 Cases investigated and closed in year**



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September 2022

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

- Total number of cases of irregularity investigated-

**See above -**

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

**23 Occasions where fraud/irregularity identified**

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

**Reactive - £253k fraud losses reported, £251k fraud prevented**

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

**Not recorded separately**

**List of Background Papers - Local Government Act 1972, Section 100D**

55. (a) *Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)*  
(b) *Fighting Fraud and Corruption Locally a Strategy for the 2020's (CIPFA/CIFAS/LGA)*  
(c) *Tackling Fraud in the Public Sector (CIPFA 2020)*  
(d) *Guide to Understanding the Total Impact of Fraud (International Public Sector Fraud Forum 2020)*  
(e) *Fraud in Emergency Management and Recovery (International Public Sector Fraud Forum 2020)*  
(f) *COVID-19 Counter Fraud Measures Toolkit (Cabinet Office 2020)*  
(g) *Local Authority Covid-19 Business Support Grants Fact Sheet (Government Counter Fraud Function 2020)*  
(h) *Fraud and Corruption Tracker 2020 (CIPFA)*  
(i) *United Kingdom Anti-Corruption Strategy 2017-2022 (HMG 2017)*  
(j) *Code of Practice – Managing the Risk of Fraud and Corruption (CIPFA 2014)*  
(k) *CALCULATING LOSSES FROM HOUSING TENANCY FRAUD (Tenancy Fraud Forum 2021)*  
(l) *A Guide to the European Union AML/CFT Framework (ComplyAdvantage.com 2022)*

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**Stevenage Borough Council**

**Anti-Fraud Plan 2021/22**

**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 meet the same standards.**

This plan includes objectives and key performance indicators that support the Councils Policy and follows the latest best practice/guidance/directives from the Ministry for Housing Communities and Local Government (MHCLG), National Audit Office (NAO), Local Government Association (LGA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

**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 including by CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss (including reputational, service as well as financial) and should be prevented where possible and pursued where it occurs. The latest annual estimates of fraud risk to local government exceed £7bn.

The Fighting Fraud and Corruption Locally, A Strategy for the 2020’s, published in March 2020 is supported by CIPFA, the LGA, SOLCACE and a number of External Auditors.

The new Strategy compliments work undertaken in 2019 by CIPFA, NAO and Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 adding to its three ‘Pillars’ of **Acknowledge, Prevent & Pursue** with a fourth **Governance** with an overarching aim **Protect** which sits across all Pillars:

**Governance: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Ensuring a tone from the top**

**Protect: 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.**



## **Stevenage Borough Council Anti-Fraud Plan 2021-2022**

The Councils Plan will be overseen by the Shared Anti-Fraud Service (SAFS) but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption, the Council also has a duty to protect the public and it does this through its work across all services but in particular by sharing information and knowledge through communications either directly or via its website. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud through a number of channels

The Anti-Fraud Plan follows current best practice contained in the Fighting Fraud and Corruption Locally Strategy (FFCL) and elsewhere. The FFCL checklist attached at **Appendix A** will be completed by March 2022 and reported back to this Committee then, with updates throughout the year. This will help determine if there are any further actions or activities that should be added to the Fraud Plan via an in-year update.

## **SAFS Resources 2021-2022**

### **Anti-Fraud Arrangements**

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

SAFS is a partnership with each organisation paying an annual fee for Hertfordshire County Council to provide a contracted service across all partners. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every partner has a seat on that Board. For the Stevenage Borough Council the Assistant Director Finance and 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 December 2020 the SAFS Board agreed to increase the fees for all Partners by 1% to meet increased service costs. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

Stevenage Borough Council fees for 2021-2022 have been set at £105,080. This sum is payable quarterly.

### **Staffing**

The full complement of SAFS in 2021-2022 will be 19.6 FTE.

Stevenage Borough Council will have exclusive access to 1 FTE Counter Fraud Officer (Investigator), access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* (hosted by Cabinet Office) and can call on SAFS management for liaison meetings, management meetings and three Audit Committees reports per annum. An Accredited Financial Investigator is also available to assist in money laundering or proceeds of crime investigations.

The Council will continue to second its Tenancy Fraud Investigator to SAFS/HCC for their work to be managed and directed by SAFS management, with that officer being mentored and trained alongside other staff working for SAFS.

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

SAFS will also provide alerts (local and national) to Council officers and senior management of new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy (CIPFA) Finance National Fraud Intelligence Bureau (NFIB) and the National Anti-Fraud Network(NAFN).

**Workplans & Projects 2021/2022**

SAFS will work in the following areas delivering specific activity agreed with service managers.

Service Area	Agreed Projects
<b>Central Services / Finance</b>	General Support and advice on fraud matters. 3 Reports to Audit Committee. Qtly Meetings with officer group to consider any new and emerging fraud risks and performance against SAFS KPIs SAFS attendance at Corporate Governance/Enforcement Groups. 10 fraud training/awareness events for staff/members in year. AML/ MLRO Provision- Policy review and training. Liaison with SIAS on fraud risks as part of the Audit Plan and areas of weaknesses identified either through the Audit Plan or from SAFS work. Review of all current and any new Anti-Fraud and Corruption arrangements.
<b>Revenues and Benefits</b>	Reactive investigations for HB/CTRS. Identify systems/processes/new developments to assist in recovery of debt created by fraud. Assist with potential fraud resulting from Covid Grant Schemes administered by the Council. Post payment assurance of grant schemes.
<b>Housing Services</b>	Reactive and proactive work to identify and investigate fraud against SBC housing stock including unlawful sublet, abandonment, succession fraud and RTB application funded through money laundering or other crime. Reactive investigations for housing application or homelessness fraud Provide a focus on fraud risks affecting temporary accommodation costs. Review housing register to identify fraudulent applications and, where appropriate, investigate these.
<b>Data- Analytics</b>	Use of data and technology to prevent or identify fraud. Assist with NFI 2020/21 output and reports. FraudHub. Agreeing a programme for upload of data-sets and reporting of matches to relevant services. Lead on a county-wide Council Tax Review Framework. Use of data-analytics to identify fraud/evasion of business rates and rate collection. Review extension of NFI Powers to ‘other’ crime and debt collection.
<b>Other / Contingency</b>	Identify fraud risks and training in other areas including payroll, licensing, parking services, planning, procurement processes & contract management. Ensuring that the TFI seconded to SAFS is able develop and join the GCFP s part of the SAFS collective application and maintain that professional standard through training delivered by SAFS/HCC as a ‘learning organisation’.

## **SAFS KPIs.**

SAFS will work to a set of KPIs agreed with senior officers and can be found at **Appendix B** and progress with delivering these will be reported to senior officers and Audit Committee throughout the year.

## **SAFS - Standards of Service.**

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council 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 continue to develop with the Cabinet Office and Council officers a data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
  - 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.
  - SAFS will work with Council officers to identify data-sets (and frequency) of the upload of these.
  - SAFS will work with Council officers to determine the most appropriate 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, UK GDPR, PACE, CPIA, HRA, RIPA, IPA\* and relevant Council policies
9. Reactive fraud investigations.
  - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 24 hours of receipt
  - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3<sup>rd</sup> parties including police, DWP, Action Fraud.
  - The Council will be informed of all reported fraud affecting its services.
  - SAFS will allocate an officer to each case.
  - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
  - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
  - Where criminal offences are identified SAFS will draft a report for Council officers 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 in line with the Council's 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 Finance Audit & Risk Committee as agreed in the SAFS Partnership Contract.

*\*Data Protection Act , UK 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.*





## Stevenage Borough Council Audit Committee

7 September 2022  
Shared Internal Audit Service –  
Progress Report

### Recommendations

Members are recommended to:

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

## Contents

- 1 Introduction and Background
  - 1.1 Purpose
  - 1.2 Background
  
- 2 Audit Plan Update
  - 2.1 Delivery of Internal Audit Plan and Key Findings
  - 2.4 Internal Audit Plan Changes
  - 2.5 Critical and High Priority Recommendations
  - 2.7 Performance Management

### Appendices:

- A Progress against the 2022/23 Internal Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Internal Audit Plan Items (April 2022 to March 2023) - Indicative start dates agreed with management
- D Assurance Definitions / Priority Levels

# 1 Introduction and Background

## Purpose of Report

- 1.1 To provide Members with:
- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2022/23 Internal Audit Plan to 19 August 2022.
  - The findings for the period 1 April 2022 to 19 August 2022.
  - Details of any changes required to the approved Internal Audit Plan.
  - The implementation status of previously agreed audit recommendations.
  - An update on performance management information to 19 August 2022.

## Background

- 1.2 Internal Audit's Annual Plan for 2022/23 was approved by the Audit Committee at its meeting on 28 March 2022. The Audit Committee receive periodic updates against the Internal Audit Plan. This is the first update report for 2022/23.
- 1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include details of changes to the agreed Annual Internal Audit Plan.

# 2 Audit Plan Update

## Delivery of Internal Audit Plan and Key Audit Findings

- 2.1 As of 19 August 2022, 27% of the 2022/23 Internal Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued since the last Progress Report to the Audit Committee:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Payroll (Assurance Mapping) 2021/22	Mar 2022	Reasonable	Two Medium and One Low Priority
Housing Rents 2021/22	Apr 2022	Substantial	None
Debtors 2021/22	Apr 2022	Reasonable	One Medium and Three Low Priority
Leaseholder Liability 2021/22	May 2022	Reasonable	One Medium Priority
Housing Allocations 2021/22	Jun 2022	Reasonable	One Medium and One Low Priority
Cyber Security (Assurance Mapping) 2021/22	Jul 2022	Limited	One High and Two Medium Priority

Contain Outbreak Management Fund (Grant Audit) 2022/23	Jul 2022	Unqualified	None
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See definitions for the above assurance levels and recommendation priorities at Appendix D.

- 2.3 The table below summarises the position regarding delivery of the 2022/23 approved projects to 19 August 2022. Appendix A provides a status update on each individual project within the 2022/23 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	1	3
Draft Report Issued	5	16
In Fieldwork/Quality Review	2	6
In Planning/Terms of Reference Issued	5	16
Allocated	18	59
Not Yet Allocated	0	0
Cancelled/Deferred	0	0
<b>Total</b>	<b>31</b>	<b>100%</b>

#### Internal Audit Plan Changes

- 2.4 Two unplanned grant audits have been added to the approved plan at the request of management, these being assurance activities to satisfy the funding conditions for grant income received from the UK Health Security Agency and Homes England. The audits were required by the bodies to independently confirm that funding was used in accordance with the associated terms and conditions. The audit work was resourced from the contingency provision included in the Council's Internal Audit Plan. The contingency provision has consequently been reduced from 6 days to 1 day.

#### Critical and High Priority Recommendations

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

Performance Management

- 2.7 The 2022/23 annual performance indicators were approved at the SIAS Board meeting in March 2022.
- 2.8 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table below:

Performance Indicator	Annual Target	Profiled Target	Actual to 19 Aug 2022
<b>1. Internal Audit Annual Plan Report</b> – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet	Yes	N/A	Yes
<b>2. Annual Internal Audit Plan Delivery</b> – the percentage of the Annual Internal Audit Plan delivered (excludes contingency)	95%	31% (97/314)	27% (83.5/314)
<b>3. Project Delivery</b> – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	23% (7/31)	19% (6/31)
<b>4. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (1 received) Note (1)
<b>5. Chief Audit Executive's Annual Assurance Opinion and Report</b> – presented at the first Audit Committee meeting of the financial year	Yes	N/A	Yes

Note (1) – 1 received in 2022/23, this relating to a 2021/22 audit.

**APPENDIX A - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN**

**2022/23 Internal Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
<b>Key Financial Systems – 70 days</b>									
Provision for full or targeted audits of some key financial systems. Mapping other key financial systems to confirm appropriate lines of assurance and to inform the annual assurance opinion									
Business Rates (shared with EHC)						70	Yes	1	Allocated
Council Tax (shared with EHC)							Yes		Allocated
Housing Benefits (shared with EHC)							Yes		Allocated
Treasury Management (assurance mapping refresh)							Yes		Allocated
Debtors (assurance mapping)							Yes		Allocated
Creditors (assurance mapping)							Yes		Allocated
Payroll (assurance mapping refresh)							Yes		Allocated
Asset Management (assurance mapping)							Yes		In Planning
Housing Rents (assurance mapping)							Yes		Allocated
Cash & Banking (assurance mapping refresh)							Yes		Allocated
<b>Operational Audits – 100 days</b>									
Planned and Response Maintenance to the Council’s Estate						10	Yes	0	Allocated
Leisure Services						10	Yes	1	In Planning
Community Safety (CCTV operations)						10	Yes	1	In Planning
Cemeteries						10	Yes	9.5	Draft Report Issued
Open Spaces						10	Yes	1	In Planning
Commercial Property						10	Yes	0	Allocated
Environmental Maintenance						10	Yes	2	In Fieldwork
Landlord Health & Safety Property Compliance						10	Yes	0	Allocated

**APPENDIX A - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Refuse Services						10	Yes	9.5	Draft Report Issued
Off Street Parking						10	Yes	9.5	Draft Report Issued
<b>Grant Audits – 5 days</b>									
Contain Outbreak Management Fund	Unqualified	0	0	0	0	3	Yes	3	Final Report Issued
Homes England						2	Yes	2	Draft Report Issued
<b>Corporate Services/Themes – 70 days</b>									
Ways of Working						10	Yes	0	Allocated
Supply Chain Interruption						10	Yes	9	In Quality Review
Energy & Utility Payments						10	Yes	9.5	Draft Report Issued
Customer Services						10	Yes	1	In Planning
Housebuilding & Acquisitions						10	Yes	0	Allocated
Towns Fund						10	Yes	0	Allocated
Digital Exclusion						10	Yes	0	Allocated
<b>IT Audits – 10 days</b>									
Malicious Software (shared with EHC)						7	Yes	0	Allocated
Cyber Security (assurance mapping refresh only, shared with EHC)						3	Yes	0	Allocated
<b>Shared Learning and Joint Reviews – 5 days</b>									
Joint Review(s) – Topics to be confirmed by SIAS Board						5	No	0	Not Yet Allocated
<b>Completion of 2021/22 Projects – 7 days</b>									
Various						7	Yes	4.5	Various
<b>Contingency – 1 day</b>									
Contingency						1	N/A	0	Through Year
<b>Strategic Support – 47 days</b>									
Head of Internal Audit Assurance Opinion						3	Yes	3	Complete

**APPENDIX A - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
2021/22									
Audit Committee & Recommendations Follow Up						10	Yes	3	Through Year
Client Meetings & Ad hoc Advice						10	Yes	4	Through Year
Plan Monitoring, Work Allocation and Scheduling						12	Yes	4.5	Through Year
SIAS Development						5	Yes	5	Through Year
Matters Arising: Shared Anti-Fraud Service						2	Yes	0.5	Through Year
Audit Planning 2023/24						5	Yes	0	Through Year
<b>SBC TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>315</b>		<b>83.5</b>	



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

The following appendix provides Audit Committee Members with a summary of the most recent update provided by management in respect of outstanding high priority recommendations.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Aug 2022)
1.	<b>Follow Up audit (Landlord Health &amp; Safety 2021/22).</b>	<p><b><u>Recommendation:</u></b>  <u>Completion of remedial actions arising from Water Risk Assessments.</u>                      Remedial works identified from the risk assessments sampled at the previous audit have not been fully completed and it is not clear what is outstanding. It is therefore recommended that risk assessments are carried out by the council's new contractors and the remedial actions required recorded in priority order and carried out in a timely manner. The programme of works required should be regularly monitored to ensure that they are being actioned and completed. The date of completion should be recorded.</p> <p><b><u>Agreed Management Action(s):</u></b>                      The council's new contract with water hygiene contractor, Safewater, commenced 1 November 2021. Safewater have been issued with the council's current risk assessment programme and asked to re-survey all blocks, prioritising blocks where remedial actions are outstanding. A programme evidencing the date for each risk assessment has been requested from Safewater and this will be given to the Gas Manager so that he can monitor progress. It will also be agreed between the Gas Manager and the contractor that remedial actions up to a work value of £250 can be authorised and completed at the time of survey – note a record of works completed should be recorded on the contractor's portal. Works above this value will be sent to the Gas Manager in quote form and an order raised on the council's Northgate System. Any remedial actions that Safewater require special access or another contractor's assistance is the responsibility of the Gas Manager to identify, action and monitor remedial work and quality. The Gas Manager has agreed with Safewater that all remedial actions from the risk assessments will be recorded on one spreadsheet and updated, monthly. All data should be prepared to go into Propeller, the council's new compliance management tool. The Compliance Manager has set up a weekly meeting with the Gas Manager to ensure procedure are in</p>	<p><b>Responsible Officer:</b>                      Compliance Manager (Housing Investments).  <b>Due Date:</b>                      31 March 2022.</p>	<p><u>August 2022.</u>                      Work identified as being a priority has been completed. Residual work remains in progress and will be completed by the end of November.</p>	Partially implemented.

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

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Aug 2022)
		place and are being followed. The Gas Manager will also evidence to the Compliance Manager that monthly contractor meetings are booked in and operational performance is on the agenda to be monitored and escalated to the Compliance Manager if necessary.			
2.	<b>Follow Up audit (Landlord Health &amp; Safety 2021/22).</b>	<p><b>Recommendation:</b>  <u>Completion of remedial actions arising from Water Risk Assessments.</u>                      We recommend that any remedial work outstanding is carried out and the date of completion is recorded on the spreadsheet to ensure that all necessary actions have taken place. Those without a date should be chased to ensure that nothing gets missed.</p> <p><b>Agreed Management Action(s):</b>                      The Gas Manager has been asked to issue all failed temperature checks to Safewater to action immediately. The Gas Manager has requested a date for each visit, and he will monitor each action up until completion. The Compliance Manager has weekly meetings arranged with the Gas Manager to monitor progress. The Gas Manager has also been asked to provide an access procedure for Safewater as failed access into areas where services are provided have caused a number of failures. The Gas Manager is aware that they are responsible for assisting the contractor with access. The Gas Manager has agreed with Safewater that all failed temperature checks should be collated on one spreadsheet and updated monthly - Performance will also be monitored at monthly contractor meetings and escalated to the Compliance Manager where necessary. Where necessary, the Gas Manager will also agree a value of works that Safewater can self-authorise to prevent return visits. Quoted work will be authorised by the Gas Manager and issued via Northgate.</p>	<p><b>Responsible Officer:</b>                      The Compliance Manager (Housing Investments).  <b>Due Date:</b>                      31 March 2022.</p>	<p><u>August 2022.</u>                      Work identified as being a priority has been completed. Residual work remains in progress and will be completed by the end of November.</p>	Partially implemented.
3.	<b>Cyber Security (assurance mapping) 2022/23</b>	<p><b>Recommendation:</b>  <u>Cyber Security Accreditation.</u>                      We recommend that the Council review its cyber security functions in order to meet an adequate level of security to protect itself from any cyber security threats. Thereafter, the Council should seek appropriate accreditation to provide assurance for their cyber security. When the Council has</p>	<p><b>Responsible Officer:</b>                      Strategic ICT Partnership Manager.  <b>Due Date:</b>                      31 December</p>	<p><u>August 2022.</u>                      New recommendation. The management response opposite is the latest comment.</p>	Not Yet Due.

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

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Aug 2022)
		<p>completed its rollout of Windows 10, it should renew its PSN certification.</p> <p><b>Agreed Management Action(s):</b> Rollout of the M365 and Windows 10 is currently underway.</p>	2022.		

**APPENDIX C – INTERNAL AUDIT PLAN 2022/23 – INDICATIVE AUDIT START DATES AGREED WITH MANAGEMENT**

<b>STEVENAGE</b>					
<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>
Refuse - Draft Report Issued	Energy & Utility Payments - Draft Report Issued	Cemeteries - Draft Report Issued	Asset Management Assurance Mapping - In Planning	Community Safety (CCTV operations) - In Planning	Leisure - In Planning
		Environmental Maintenance - In Fieldwork	Off Street Parking - Draft Report Issued	Customer Services - In Planning	Open Spaces - In Planning
		COMF Grant - Final Report Issued	Digital Exclusion - Allocated	Homes England Grant Audit - Draft Report Issued	Malicious Software - Allocated
			Supply Chain Interruption (c/f from May) - In Quality Review		
<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Commercial Property - Allocated	Council Tax - Allocated	Creditors Assurance Mapping - Allocated	Housing Rents Assurance Mapping - Allocated	Treasury Management Assurance Mapping Refresh - Allocated	
Landlord Health & Safety Property Compliance - Allocated	Business Rates - Allocated	Debtors Assurance Mapping - Allocated	Cash & Banking Assurance Mapping - Allocated	Payroll Assurance Mapping Refresh - Allocated	
Ways of Working (c/f from April - Allocated	Housing Benefits - Allocated	Towns Fund - Allocated	House Building & Acquisitions - Allocated	Cyber Security Framework Assurance Mapping Refresh - Allocated	
Planned and Response Maintenance to the Council's Estate - Allocated					

## APPENDIX D – ASSURANCE / RECOMMENDATION PRIORITY LEVELS

Audit Opinions	
Assurance Level	Definition
Assurance Reviews	
<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Not Assessed</b>	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
<b>Unqualified</b>	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
<b>Qualified</b>	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
<b>Disclaimer Opinion</b>	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
<b>Adverse Opinion</b>	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Recommendation Priority Levels	
Priority Level	Definition
Corporate	<b>Critical</b> Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	<b>High</b> Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	<b>Medium</b> Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	<b>Low</b> Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.





**AUDIT COMMITTEE/ EXECUTIVE  
/ COUNCIL**

Portfolio Area: Resources

**Date: 7 September 2022 / 15  
September 2022 / 19 October  
2022**



**ANNUAL TREASURY MANAGEMENT REVIEW OF 2021/22 INCLUDING  
PRUDENTIAL CODE**

**NON-KEY DECISION**

Author	– Brian Moldon	Ext. 2515
Contributor	– Rhona Bellis / Kaha Olad	Ext. 2730
Lead Officer	– Brian Moldon	Ext. 2515
Contact Officer	– Brian Moldon	Ext. 2515

**1 PURPOSE**

1.1 To review the operation of the 2021/22 Treasury Management and Investment Strategy.

**2 RECOMMENDATIONS**

**2.1 Audit Committee**

That subject to any comments by the Audit Committee to the Executive, the 2021/22 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 2021/22 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 2021/22 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 2021/22. 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 2021/22 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 24/02/2021)
- a mid-year treasury update report (Council 15/12/2021)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

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

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

#### **3.2 The Economy and Interest rates in 2021/22 and current position**

3.2.1 **Bank Rate.** Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16<sup>th</sup> December 2021, 0.50% at its meeting of 4<sup>th</sup> February 2022 and then to 0.75% in March 2022. Since the new year, there have been a further two increases of 0.25% in June and then on the 4 August the Monetary Policy Committee voted to increase the bank rate to 1.75%.

3.2.2 **GDP.** The UK economy has had several periods of lock down through 2021/22, but with most of the economy now opened up and returning to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 10.1% in June 2022 and commentators are now predicting a rise to even 18% by October.



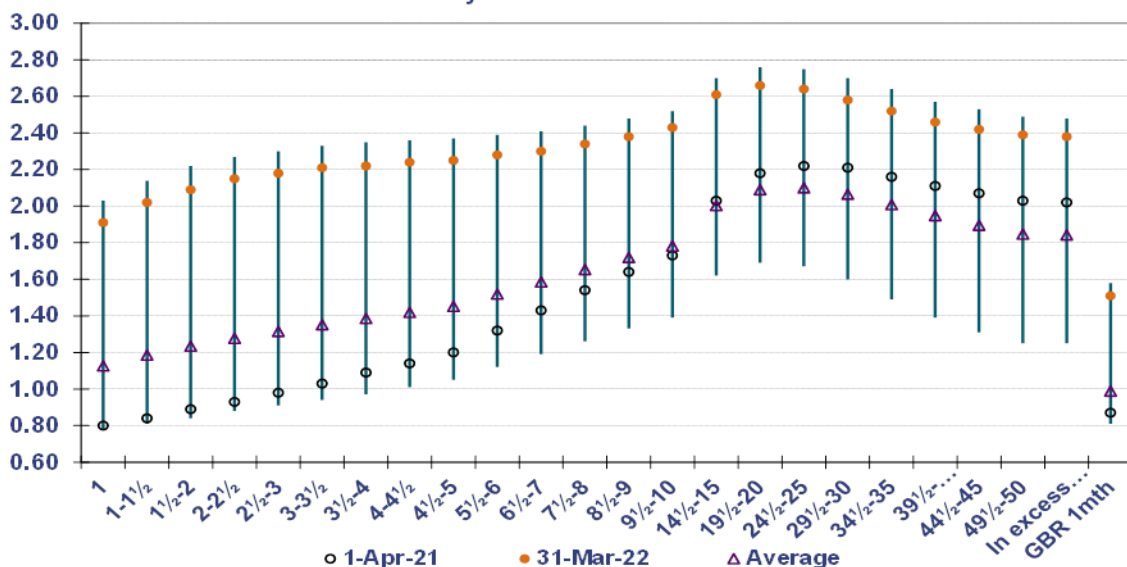
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3.2.3 **Inflation.** This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank’s forward guidance in August 2020 was a new phrase in the policy statement, namely that “it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*”. That does seem out of date in the current economic situation. There is now an issue of supply side shortages, labour shortages, commodity price inflation, the impact of Russia’s invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023

3.2.4 The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (with CPI at 10.1% for June) but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

3.2.5 **PWLB borrowing rates** are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

**PWLB Certainty Rate Variations 1.4.21 to 31.3.2022**



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3.2.6 The target average borrowing rate in the latest HRA Business Plan last updated 2021 (HRA BP) was 1.6% for 2020, rising to 1.72% in 2021 and 1.74% in 2022. New HRA borrowing of £10Million was taken externally in March 2021 at 2.06% and in February 2022 the following loans were taken. £5Million for 25.5 years at 2.22% and £4.047Million for 21 years at 2.24%. The HRA BP assumed a 3.5% average rate for future loans. Recent interest rate rises have led to current forecast rates exceeding (for loans longer than 20 years) the original HRA BP forecasts and the HRA BP will be revised and reported to the November 2022 Executive.

<b>Rates* as at:</b>	<b>Mar-21</b>	<b>Feb-22</b>	<b>Aug-22</b>
<b>Years</b>	<b>Actual Rate %</b>	<b>Actual Rate %</b>	<b>Actual Rate %</b>
5			3.46
10			3.37
15			3.38
20	2.06		3.53
21		2.24	3.57
25.5		2.22	3.71

\* Rates include a 0.2% Certainty Rate reduction

3.2.7 There are alternatives to the PWLB for borrowing, for both the General Fund and the HRA, including the UK Municipal Bonds Agency. The UKMBA provides funding through three lending programmes.

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

The UKMBA borrow primarily in the capital markets to lend to local authorities to fund pre-agreed loans. Borrowing rates may be lower using the UKMBA but lead times and administration are greater than for PWLB borrowing arrangements.

**4 TREASURY MANAGEMENT ACTIVITIES**

**4.1 OVERALL TREASURY POSITION AS AT 31 MARCH 2022**

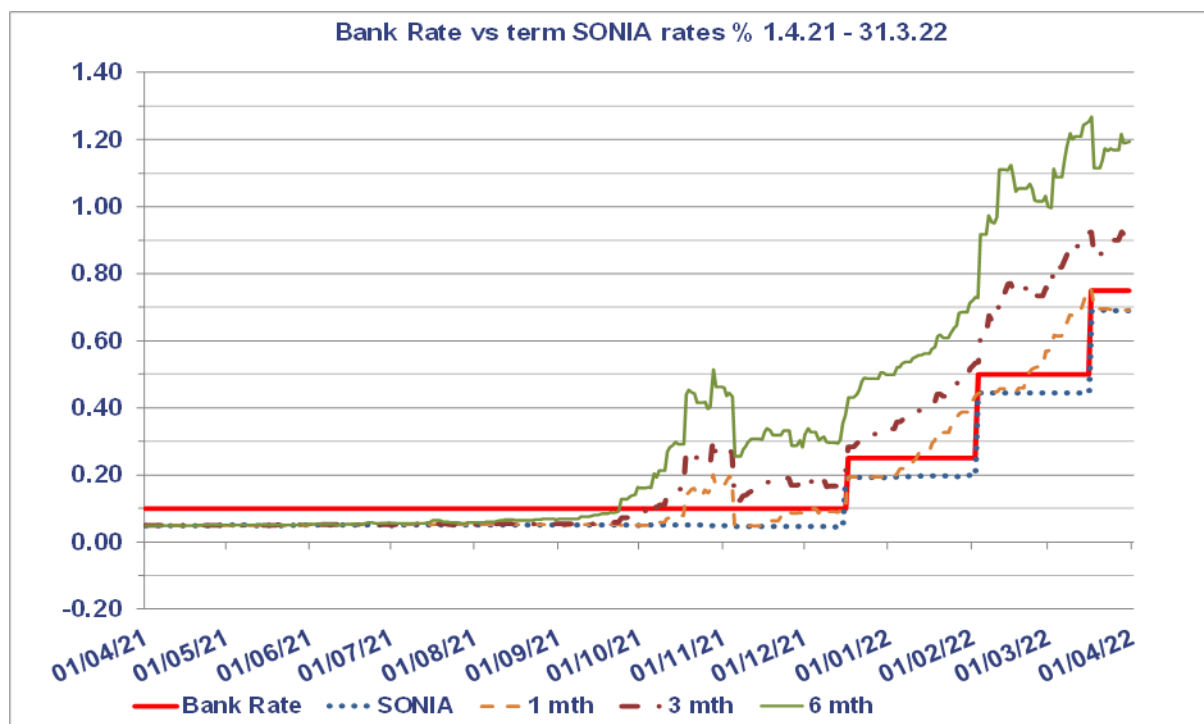
4.1.1 As at 31 March 2021 and 2022 the Council's treasury position was as follows:

<b>Table two: Treasury Position</b>						
	<b>2020/21</b>			<b>2021/22</b>		
	<b>31 March 2021 Principal £'000s</b>	<b>Rate / Return %</b>	<b>Average Life (Yrs)</b>	<b>31 March 2022 Principal £'000s</b>	<b>Rate / Return %</b>	<b>Average Life (Yrs)</b>
<b>Total PWLB Borrowing</b>	<b>218,966</b>	<b>3.34</b>	<b>12.53</b>	<b>227,750</b>	<b>3.28</b>	<b>12.89</b>
Capital Financing Requirement	267,432			305,223		
Over/(under) borrowing	(48,466)			(77,473)		
<b>Investments Portfolio (see section 4.2.5)</b>	<b>69,700</b>	<b>0.65</b>		<b>68,750</b>	<b>0.35</b>	

4.1.2 Investment balances reduced year-on-year by £950k. The balances include restricted use funds that can only be used to finance capital spend, money set aside as provisions and monies held on behalf of others including council tax and business rates provisions and advance payments (see paragraph 4.2.3.2). Members should note the investment balances have been distorted by COVID related grants to be paid to businesses and residents and the reliefs given by the government to compensate the Council for changes to the business rate regime. compared to a 'normal' year

4.1.3 During the year the average investment balance was £80.908 Million, earning interest of £286,304 and achieving an average interest rate of 0.35%. The comparable rate was 0.14% (Sterling Overnight Index Average (SONIA) rate). This compares with an original budget assumption of £202,910 investment interest based on average investment rate of 0.25%.

4.1.4 The following chart shows UK Bank Rate and SONIA rates in 2021/22. It can be seen that SONIA rates remained below Bank Rate all year.



## 4.2 TREASURY MANAGEMENT STRATEGY 2021/22

4.2.1 The original 2021/22 Treasury Management strategy had projected Bank Rate of 0.10% for the duration of 2021/22. The actual Bank Rate was 0.10% until February 2022 when it increased to 0.5% and then went to 0.75% during March 2022. 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 Council's Capital Expenditure and Financing 2021/22.

4.2.2.1 In 2021/22 the Council spent £61.342Million 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 £12.364 Million, HRA £25.487 Million). Table three details capital expenditure and financing used in 2021/22.

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<b>Table three : 2021/22 Capital Expenditure and Financing</b>				
	<b>2021/22</b>	<b>2021/22</b>	<b>2021/22</b>	<b>2021/22</b>
	<b>Original Estimate</b>	<b>Quarter 3 Working Budget</b>	<b>Actual</b>	<b>Variance Actual to Q3 Working Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure:</b>				
General Fund Capital Expenditure	17,399	28,987	24,121	(4,866)
HRA Capital Expenditure	52,488	43,594	37,221	(6,373)
<b>Total Capital Expenditure</b>	<b>69,887</b>	<b>72,581</b>	<b>61,342</b>	<b>(11,239)</b>
<b>Resources Available for Capital Expenditure:</b>				
Capital Receipts	(14,958)	(11,829)	(9,493)	2,336
Capital Grants /Contributions	(9,131)	(9,909)	(8,308)	1,601
Capital Reserves	(1,869)	(802)	0	802
Revenue contributions	(342)	(1,969)	(1,862)	107
Major Repairs Reserve	(11,798)	(8,839)	(3,828)	5,011
<b>Total Resources Available</b>	<b>(38,097)</b>	<b>(33,348)</b>	<b>(23,491)</b>	<b>9,857</b>
<b>Capital Expenditure Requiring Borrowing</b>	<b>(31,790)</b>	<b>(39,233)</b>	<b>(37,851)</b>	<b>(1,382)</b>

4.2.2.2 The Treasury Management review of 2021/22 and Prudential Indicators have been updated to reflect changes to capital budgets which have been approved throughout the year. The actual capital expenditure for 2021/22 was reported to the Executive on 12 July 2022.

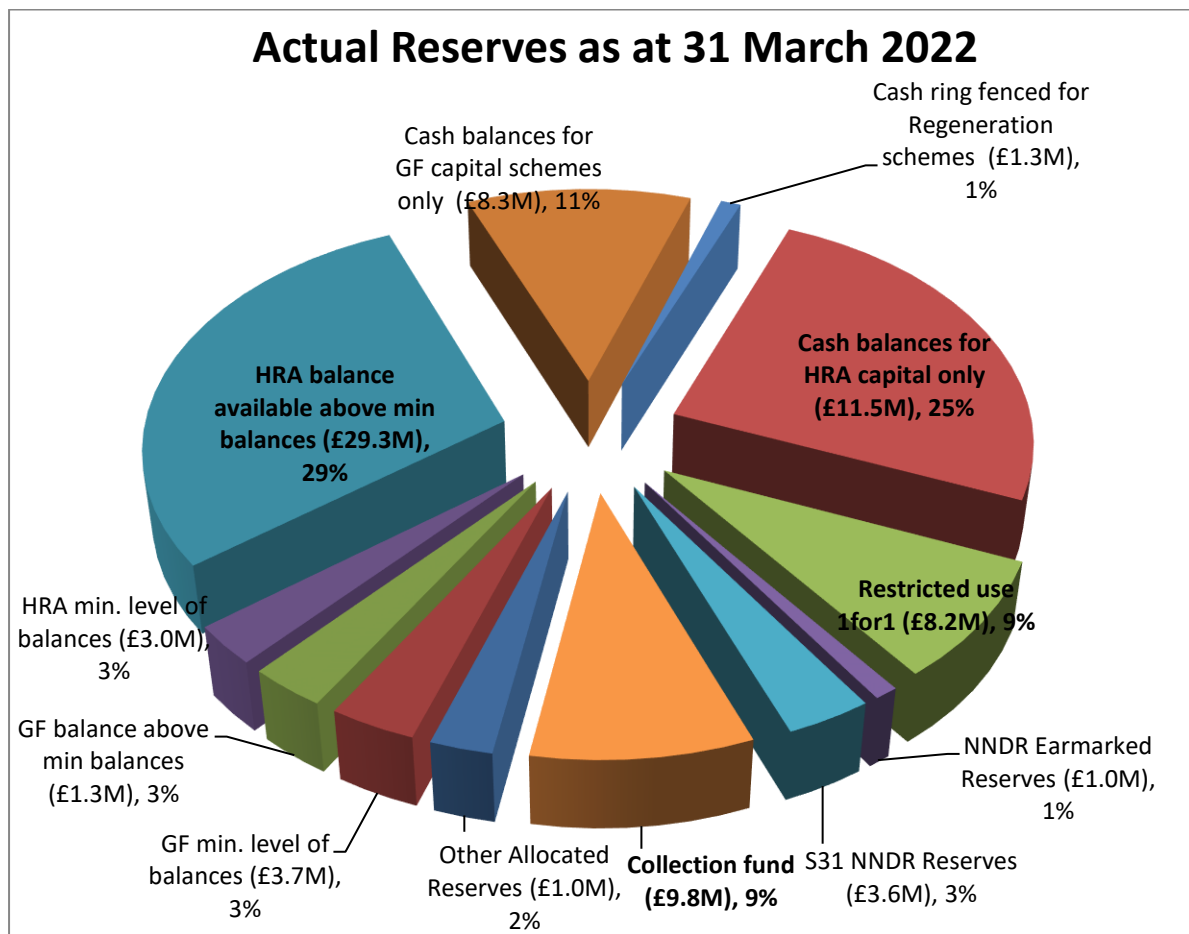
**4.2.3 The Council's overall need to borrow and Capital Financing Requirement**

4.2.3.1 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 4.2.4) 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.

4.2.3.2 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 2022 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 (£9Million) and balances relating to Council Tax and NNDR

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(£14Million), which includes the £9Million for the business rate appeals provision, (there are outstanding appeals on the 2010 rating list).



4.2.3.3 As at the 31 March 2022 the Council had total external borrowing of £227.750Million. The debt repayment profile is shown in the following table:

<b>Table four Maturity of Debt Portfolio for 2020/21 and 2021/22</b>		
<b>Time to maturity</b>	<b>31 March 2021 Actual £'000's</b>	<b>31 March 2022 Actual £'000's</b>
Maturing within one year	263	263
1 year or more and less than 2 years	263	0
2 years or more and less than 5 years	500	8,500
5 years or more and less than 10 years	49,656	57,656
10 years or more	168,284	161,331
<b>Total</b>	<b>218,966</b>	<b>227,750</b>

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4.2.3.4 The General Fund had external borrowing of £2.019Million with the Public Works Loan Board (PWLB). The HRA had external borrowing of £225.731Million all held with the PWLB, of which £30.820Million relates to the Decent Homes programme, £7.763Million from pre 2012, £4.010Million taken out in 2019/20, £10.0 Million taken out in 2020/21 and new loans of £9.047Million taken out in year. The remainder of £194.911 Million relates to self- finance the payment made to central government in 2012.

4.2.3.5 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 2022 is set out below. Discussions took place with the LEP regarding making these re-investible loans for further regeneration of the town, rather than needing to be repaid on the dates originally agreed. As indicated in the table, the current position is that only £209K of the £7.279Million received to date has been repaid. The remaining balance is repayable - £6.57Million in 2030 and £0.5Million in 2025. The loans are at zero interest.

<b>Table Five: LEP Loans</b>						
<b>Loan Received</b>	<b>Site Assembly</b>	<b>Land Assembly</b>	<b>SG1</b>	<b>Repaid</b>	<b>Total</b>	<b>Repayment Date</b>
2015/16	762,488			(208,795)	553,693	31/03/22
2018/19	416,306				416,306	
2019/20		4,108,709			4,108,709	
2020/21		1,491,291	500,000		1,991,291	
<b>Total</b>	<b>1,178,794</b>	<b>5,600,000</b>	<b>500,000</b>	<b>(208,795)</b>	<b>7,069,999</b>	

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

<b>Table Six : Capital Financing Requirement 2020/21 and 2021/22</b>			
<b>CFR Calculation</b>	<b>31-Mar-21 (£'000)</b>	<b>31-Mar-22 (£'000)</b>	<b>Movement in Year (£'000)</b>
<b>Opening Balance</b>	<b>244,656</b>	<b>267,432</b>	
Closing Capital Financing Requirement (General Fund)	34,338	46,642	12,304
Closing Capital Financing Requirement (Housing Revenue Account)	233,094	258,581	25,487
<b>Closing Balance</b>	<b>267,432</b>	<b>305,223</b>	<b>37,791</b>

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<b>Table Six : Capital Financing Requirement 2020/21 and 2021/22</b>			
<b>CFR Calculation</b>	<b>31-Mar-21</b>	<b>31-Mar-22</b>	<b>Movement in Year</b>
	<b>(£'000)</b>	<b>(£'000)</b>	<b>(£'000)</b>
<b>Increase/ (Decrease)</b>	<b>22,776</b>	<b>37,791</b>	

4.2.3.7 The CFR for the HRA has increased by £25.487Million, due to increased borrowing requirement to fund major repairs & improvements and new housing.

- 4.2.3.8 The General Fund's CFR has increased by £12.304Million, due to;
- Borrowing requirement of +£2.154Million
  - New Marshgate Ltd loans of +£11.179Million
  - less Minimum Revenue Provision (MRP) (see section 4.2.4) of -£195K
  - less loan repayments made in year totalling -£834K

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

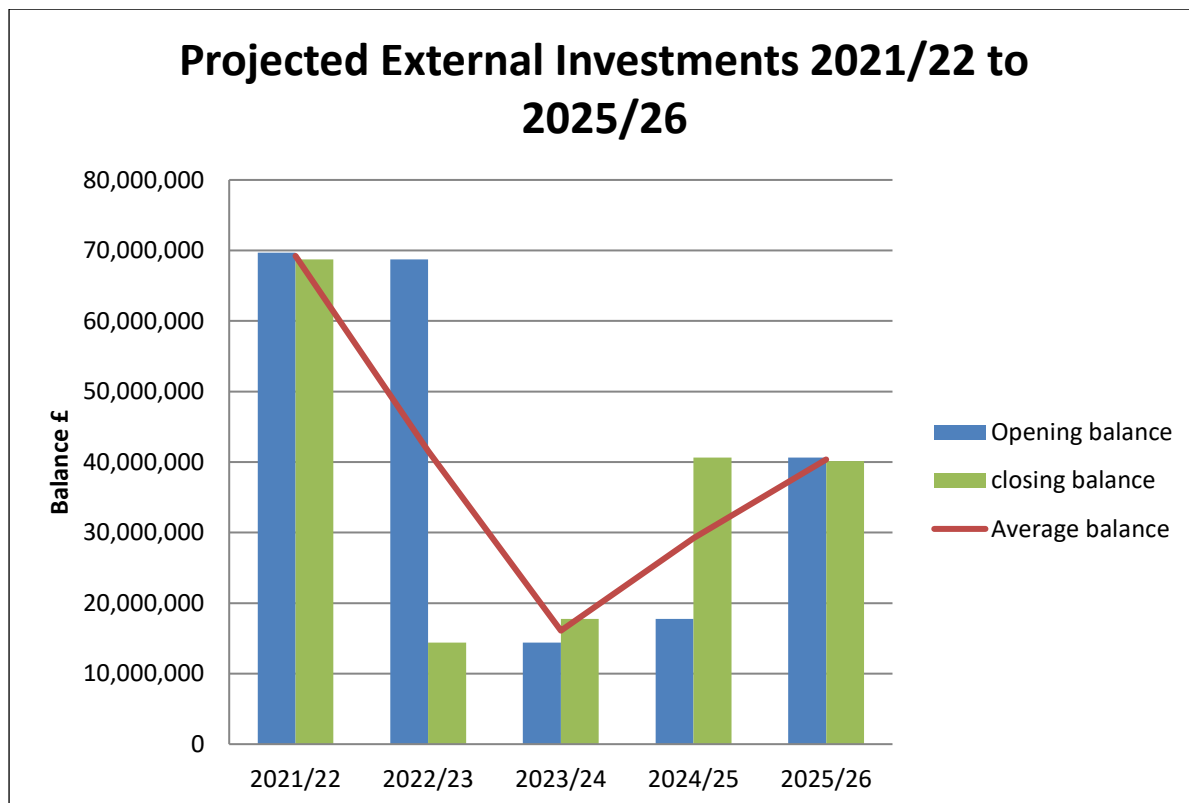
4.2.4.1 The Prudential Code, by which the Council has to make its borrowing decisions, requires the Council to demonstrate that borrowing is required and affordable. The MRP is a statutory requirement to ensure borrowing is affordable for the General Fund and does not apply to the HRA (the HRA affordability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

- 4.2.4.2 The MRP charged to the General Fund in 2021/22 was £195,200, of which
- £35,100 is funded from investment property
  - £29,400 is funded by the Garage Improvements Programme
  - £130,700 is a net cost to the General Fund

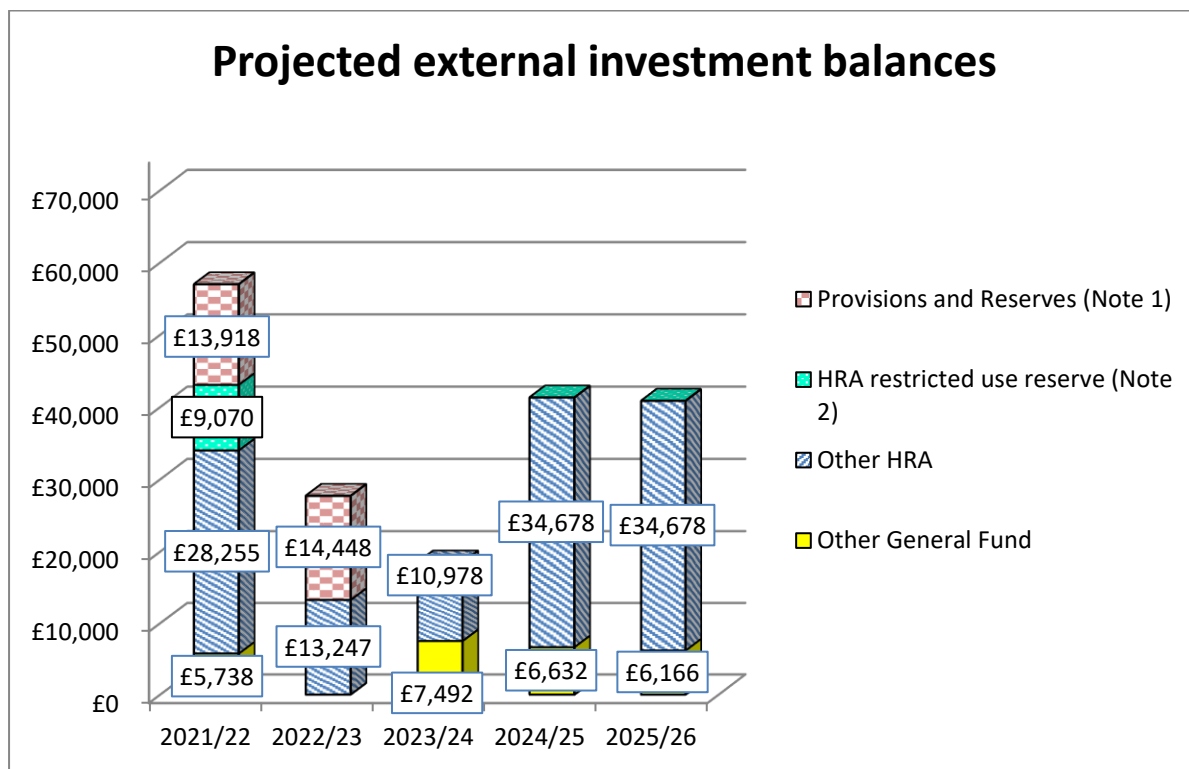
#### **4.2.5 Cash Balances and Investment**

4.2.5.1 The restrictive use of a proportion of the cash balances set out in paragraph 4.2.3.2, 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 level of balances as at 31<sup>st</sup> March 2022 and the projected position following the planned use to 2025/26.





4.2.5.2 The chart below shows the breakdown of the projected external investment balances, showing what the external investments are held to fund.



- 1) Council Tax & NNDR held for bad debts and appeals and collection fund reserves.
- 2) 1-4-1 new build

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4.2.5.3 In accordance with the Treasury Management Strategy approved by Council on 24 February 2021, the Council invests its surplus cash balances, that are committed for future approved spending. 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.

4.2.5.4 There were no breaches to this policy in 2021/22 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 2021/22, demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively. It is possible that surplus funds borrowed during 2022/23 will be placed in the DMO temporarily, if PWLB borrowing rates are advantageous and cash balances due to the timing of taking out new loans would breach other counterparty limits.

4.2.5.5 The Specified and Non-Specified Investment Criteria (Appendix C) have been reviewed and updated in the Treasury Management Strategy 2022/23 agreed at Full Council in February 2022. Appendix C reflects the strategy in place for 2021/22. No further amendments are proposed at this stage.

**4.2.6 Other Prudential Indicators**

4.2.6.1 The treasury management indicators for 2021/22 onwards have been updated based on the updated Capital Strategy approved by Council in February 2022 and subsequently updated in the 3<sup>rd</sup> quarter capital update reported to Executive in March 2022 and the 4<sup>th</sup> quarter (Outturn) capital update reported to Executive in July 2022.

4.2.6.2 The **net borrowing position** for the Council as at 31 March 2022 was **£159Million** (total external borrowings/loans of £227.750Million less total investments held of £68.750Million).

4.2.6.3 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 2021/22.**

4.2.6.4 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 2021/22 indicator is **2.10%**.

4.2.6.5 The full list of treasury prudential indicators is shown in Appendix A and has been updated for the 2021/22 outturn position.

## **4.3 OTHER ISSUES**

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

4.3.1.1 General Fund limits will be reviewed if necessary in the Mid-Year 2022/23 Treasury Management Strategy, due to go to Executive and Audit Committee in November 2022 and Council in December 2022.

4.3.1.2 HRA limits will be revisited as part of the HRA BP review to be reported to Executive in December 2022.

4.3.2 **Property Funds and Commercial Strategy.** As reported in the most recent Treasury Management Strategy, approved by Council in February 2022, Commercial investments (including investment properties), which are entered into primarily for gain by earning a positive net financial return are no longer permitted in the Capital Strategy, in order to access PWLB rates. Therefore this activity, and the borrowing requirement for it, is no longer included in the Prudential Indicators set out in Appendix A.

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

## **5 IMPLICATIONS**

### **5.1 Financial Implications**

5.1.1 This report is of a financial nature and reviews the treasury management function for 2021/22. 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.

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5.2.2 The changes to PWLB borrowing arrangements as per paragraph 4.3.2, prohibiting access to PWLB where Council's retain commercial investments within their Capital Strategy, have been addressed and these activities removed.

**5.3 Risk Implications**

5.3.1 The current policy of minimising external borrowing only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. Should these conditions change the Council may need to take borrowing at higher rates which would increase revenue costs.

5.3.2 There remains uncertainty on the long-term implications of exiting the EU on the UK economy and borrowing rates. Officers monitor interest rate forecasts to inform the timing of borrowing decisions.

5.3.3 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.

5.3.4 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counter parties. These are designed to take into account the relative risk of investments and also to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

5.3.5 There is a risk to the HRA BP's ability to fund the approved 30 year spending plans if interest rates continue to rise, this will included in the revision to the BP in November 2022.

**5.4 Equalities and Diversity Implications**

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

5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

**5.5 Climate Change Implications**

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

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**BACKGROUND PAPERS**

- BD1 Treasury Management Strategy including Prudential Code Indicators 2021/22 (Council 24 February 2021)
- BD2 Mid-year Treasury update (Council 15 December 2021)

**APPENDICES**

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

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## Prudential Indicators

### (a) Capital Expenditure

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. This includes spending on assets owned by other bodies, loans and grants to other bodies enabling them to buy assets.

Capital Expenditure	31/03/2022 Estimate £'000	31/03/2022 Actual £'000
General Fund	20,929	24,121
HRA	53,656	37,221
<b>Total Capital Expenditure</b>	<b>74,585</b>	<b>61,342</b>

### (b) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2021/22 is shown in the table below:

Capital Financing Requirement	31/03/2022 Estimate £'000	31/03/2022 Actual £'000
General Fund	37,920	46,642
HRA	262,144	258,581
<b>Total CFR</b>	<b>300,064</b>	<b>305,223</b>

### (c) Gross Debt and Net Debt

The level of external borrowing is required to be compared to the Capital Financing Requirement which represents the underlying need to borrow. Requires that borrowing in the medium term can only be for capital purposes.

Debt	31/03/2022 Estimate £'000	31/03/2022 Actual £'000
General Fund	6,201	2,019
HRA	255,278	225,731
<i>Less Investments</i>	<i>(71,447)</i>	<i>(68,750)</i>
<b>Total Debt</b>	<b>190,032</b>	<b>159,000</b>

### (d) Authorised Limit and Operational Boundary for External Debt

**The operational boundary** - is the maximum borrowing position of the Council expected during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

**The authorised limit** - A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

The table below demonstrates that during 2021/22 the Council has maintained gross borrowing within its authorised limit.

Authorised limits	Operational Boundary £'000	Authorised Limit £'000	Actual External Debt 31/03/2022 £'000
Borrowing	329,299	337,299	227,750
Less Investments			(68,750)
<b>Total</b>	<b>329,299</b>	<b>337,299</b>	<b>159,000</b>

### (e) Ratio of financing costs to net revenue stream

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.

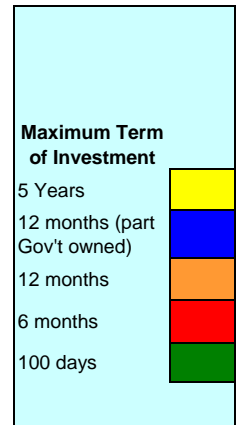
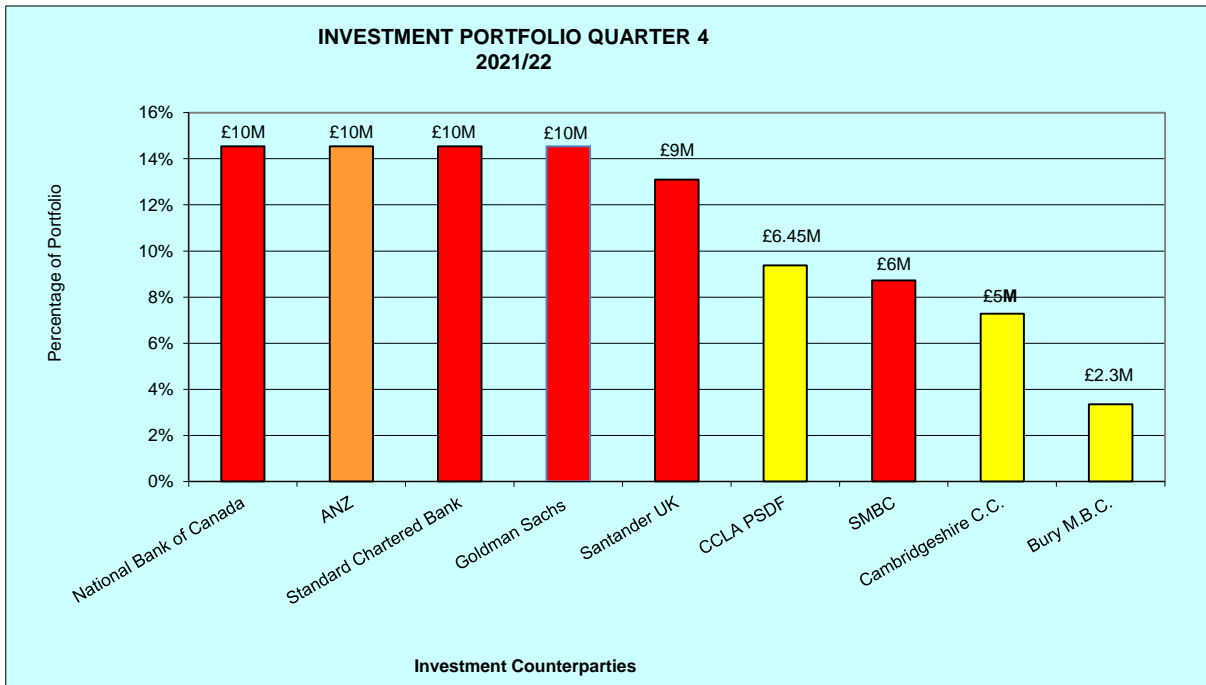
Ratio of financing costs to net revenue stream	31/03/2022 Estimate %	31/03/2022 Actual %
General Fund	5.27%	2.10%
HRA	15.71%	15.50%

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Average interest rate - 2020/21 **0.98%**  
 Average interest rate - 2021/22 **0.35%**  
 Bank of England Bank Rate (at 31 March 2022) **0.75%**

<u>Borrower</u>	<u>Nation</u>	<u>Sovereign Rating (Fitch)</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Rate %</u>
<b>Money Market Funds (Instant Access)</b>						
CCLA PSDF	UK		6,450,000			0.46
60 Day Notice Santander UK	UK	AA-	1,000,000			0.50
95 Day Notice Standard Chartered Bank	UK	AA-	7,000,000			1.00
Fixed Term Deposit						
National Bank of Canada	Can	AA+	5,000,000.00	03-Feb-22	03-May-22	0.37
Standard Chartered Bank	UK	AA-	3,000,000.00	26-Nov-21	26-May-22	0.28
SMBC	UK	AA-	6,000,000.00	29-Nov-21	27-May-22	0.22
Santander UK	UK	AA-	8,000,000.00	30-Dec-21	30-Jun-22	0.30
Goldman Sachs International	UK	AA-	8,000,000.00	31-Dec-21	30-Jun-22	0.51
National Bank of Canada	Can	AA+	5,000,000.00	03-Feb-22	03-Aug-22	0.67
Goldman Sachs International	UK	AA-	2,000,000.00	04-Feb-22	04-Aug-22	1.01
Australia & New Zealand Banking Corp (ANZ)	Aus	AAA	2,700,000.00	15-Sep-21	14-Sep-22	0.19
Australia & New Zealand Banking Corp (ANZ)	Aus	AAA	5,000,000.00	27-Sep-21	26-Sep-22	0.25
Australia & New Zealand Banking Corp (ANZ)	Aus	AAA	2,300,000.00	19-Oct-21	18-Oct-22	0.62
Cambridgeshire C.C.	UK	AA-	5,000,000.00	13-Apr-21	12-Apr-23	0.44
Bury M.B.C.	UK	AA-	2,300,000.00	18-May-20	18-Nov-24	2.00
			<b>68,750,000</b>			



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	1.60	3,500,000	25/03/2020	25/03/2037	17 years
PWLB	Fixed Rate/Maturity	2.06	10,000,000	30/03/2021	30/03/2041	20 years
PWLB	Fixed Rate/Maturity	2.24	4,047,150	03/02/2022	03/02/2043	21 years
PWLB	Fixed Rate/Maturity	1.72	510,000	25/03/2020	25/03/2045	25 Years
PWLB	Fixed Rate/Maturity	2.22	5,000,000	03/02/2022	03/08/2047	25 1/2 years
			<b>30,820,150</b>			

Self Financing Borrowing

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

General Fund 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	263,158	19/08/2013	19/02/2022	9 1/2 years
PWLB	Fixed Rate	2.29	1,755,950	19/03/2018	19/03/2028	10 years
			<b>2,019,108</b>			

Total Borrowing**227,750,258**

**Table 1 - Specified Investments** are sterling denominated with maturities up to maximum of one year and must meet the following minimum high credit quality criteria:

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

**Table 2 - Non-Specified Investment** are sterling denominated with a maturity longer than one year but no longer than five years, and must meet the following criteria:

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

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**Table 3 - Treasury Limits**

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

**Procedures of Applying the Criteria and Limits**

Before the Treasury Team makes an investment, the Team will follow the procedure to ensure full compliance with the Specified and Non-Specified Criteria and Treasury Limits:

**1** Check that the Counterparty is on the Counterparty List (also known as Current Counterparty Report for Stevenage) produced by Link Asset Services (LAS), specifically meeting the Council's Specified and Non-specified Minimum High Credit Quality Criteria in the above Table 1 & 2. If it is not on the list, the Treasury Team will not invest with them.

**2** If the Counterparty is on the list, then the Treasury Team refers to the Credit List produced by LAS in colour coding, to determine the maximum investment duration suggested for the deposit, as per the column of Suggested Duration (CDS Adjusted with manual override).

**3** Refer to the Treasury Limits in the above Table 3 to ensure the amount invested complies with the Treasury Limits.

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