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AUDIT COMMITTEE

Date: Wednesday, 6 September 2023

Time: 6.00pm

Location: Council Chamber, Daneshill House, Danestrete, Stevenage

Contact: Lisa Jerome (01438) 242203

committees@stevenage.gov.uk

Members: Councillors: M McKay (Chair), C. Veres (Vice-Chair), S Booth, L Briscoe, R Broom, N Chowdhury, A Farquharson, G Lawrence CC, Baroness Taylor of Stevenage, OBE and T Wren.
Independent Co-opted Non-voting Member – Mr S Uddin

AGENDA

PART I

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 6 JUNE 2023

To approve as a correct record the Minutes of the meeting of the Audit Committee held on 6 June 2023.

Pages 3 – 8

3. EXTERNAL AUDIT PROGRESS AND LOCAL AUDIT DELAYS - DLUHC UPDATE JULY 2023

To consider a verbal report from Ernst & Young regarding progress on the 2020/21 and 2021/22 External Audits; followed by consideration of an officer report in respect of Local Audit delays – DLUHC Update July 2023.

Pages 9 – 28

4. SHARED ANTI-FRAUD SERVICE (SAFS) ANNUAL REPORT 2022/23

To consider the Shared Anti-Fraud Service (SAFS) Annual Report 2022/23.

Pages 29 – 60

5. SHARED ANTI-FRAUD SERVICE (SAFS) - 2023/24 ANTI-FRAUD PLAN - PROGRESS REPORT

To consider a progress report on the Shared Anti-Fraud Service 2023/24 Anti-Fraud Plan.

Pages 61 – 76

6. SHARED INTERNAL AUDIT SERVICES (SIAS) INTERNAL AUDIT PLAN 2023/24 - PROGRESS REPORT

To consider a progress report on the SIAS Internal Audit Plan 2023/24.
Pages 77 – 88

7. ANNUAL TREASURY MANAGEMENT STRATEGY REVIEW 2022/23

To consider a report reviewing the Annual Treasury Management Strategy 2022/23.
Pages 89 – 110

8. URGENT PART I BUSINESS

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

9. EXCLUSION OF PUBLIC AND PRESS

To consider the following motions –

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

10. PART II MINUTES - AUDIT COMMITTEE - 6 JUNE 2023

To approve as a correct record the Part II Minutes of the meeting of the Audit Committee held on 6 June 2023.
Pages 111 - 112

11. STRATEGIC RISK REGISTER

To note the latest Strategic Risk Register for Stevenage Borough Council and developments on risk management issues.
Pages 113 - 178

12. URGENT PART II BUSINESS

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

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 6 June 2023

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), Carolina Veres (Vice-Chair), Stephen Booth, Rob Broom, Nazmin Chowdhury, Alex Farquharson, Graham Lawrence CC, Tom Wren, and Claire Parris (substitute).

Geoffrey Gibbs – Independent Co-opted Non-Voting Member

Start / End Time: Start Time: 6.00pm
End Time: 7.00pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors Lloyd Briscoe (substituted by Councillor Claire Parris) and Baroness Taylor OBE CC.

There were no declarations of interest.

The Chair welcomed the new Members of the Committee to the first meeting of the Municipal Year.

The Chair thanked Geoff Gibbs (Independent Co-opted Non-Voting Member) for his service to the Committee over the past 4 years as this would be his last meeting before stepping down. Mr Gibbs thanked the Committee and wished everyone at Stevenage Borough Council all the best in their future endeavours.

At this juncture, the Chair referred to the sad news of the recent passing of former Councillor and Vice-Chair of this Committee, John Gardner. The Chair spoke of his role as a mentor to her on her early days on the Committee and that he would be sorely missed by all at the Council.

2 ELECTION OF VICE-CHAIR

It was moved, seconded and, following a vote, **RESOLVED** that Councillor Carolina Veres be elected as Vice-Chair of the Audit Committee for the 2023/24 Municipal Year.

3 MINUTES - 27 MARCH 2023

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 27 March 2023 be approved as a correct record and signed by the Chair.

4 **TERMS OF REFERENCE**

It was **RESOLVED** that the Terms of Reference for the Audit Committee, as agreed by the Annual Council meeting on 24 May 2023, be noted.

5 **LOCAL GOVERNMENT AND AUDIT FIRMS**

The Committee were given a verbal update from Ernst and Young (EY) regarding the recent Department of Levelling Up, Housing and Communities' letter regarding local Government and Audit Firms.

The Committee was advised that the audit of Stevenage Borough Council's statement of accounts in the prior year had not been straight forward for a number of reasons, including the following:

- The Impact of the Covid-19 pandemic both in terms of audit risks and planned procedures to address those risks;
- The accounting treatment required for Local Enterprise Partnership (LEP) funding and the complexity of the Queensway complex leasing arrangements;
- Significant risk in relation to the valuation of market-based properties and errors identified in some of these valuations by EY valuers;
- The impact consideration of the following subsequent events in the statement of accounts:
 - Accounting for Infrastructure assets;
 - The 2022 triennial pension valuation;
 - Non-compliance with minimum decent homes standards.
- In relation to decent homes EY had to consider the potential impact on the valuation of council dwellings.

It was noted that the above subsequent events would also need to be considered by EY in the 2020/21 audit.

The Committee was advised that in terms of quality and preparation issues, significant amendments and complex adjustments had been required to the initial statement of accounts provided to the audit team resulting in increased time for consideration by EY.

In relation to resourcing, changes in the Council's key financial personnel throughout the audit period had increased the time taken to resolve audit queries and agree on amendments to the financial statements. It was also acknowledged that the resourcing of local government audits had been a challenge due to the shortage of staff within the local government audit market with the specific skills and knowledge required to conduct effective audits. In addition, the EY manager assigned to the audit had been unwell and there had also been a change in the Partner and

Manager of the engagement before the 19/20 audit could be concluded.

It was **RESOLVED** that the verbal update from Ernst & Young be noted.

6 **2020/21 EXTERNAL AUDIT OF SBC ACCOUNTS - UPDATE**

The Committee received a verbal update from Ernst & Young (EY) in respect of the 2020/21 External Audit of SBC accounts.

In terms of the 2020/21 audit, there were 35 outstanding queries pending the Council's responses. Delays had been noted due to the closing for the 2022/23 accounts of the Council. The planned completion and presentation of the audit results report for the 2020/21 audit is aiming to be submitted to the 27 September 2023 Audit Committee Meeting.

In relation to the 2021/22 Audit, work was scheduled to start on 16 October 2023 with a conclusion target of 15 December 2023.

In response to a question from a Member, EY advised that there would be a significant increase in the fees due to the time and complexities of the Audits undertaken.

The Assistant Director Finance advised that in terms of borrowing, the Council used the Public Works Loan Board. There was no requirement for the Council to go to the market and therefore no impact in relation to delay in accounts being signed off.

The Committee was also advised that the requirement to publish the 2022/23 Statement of Accounts had not been met due to the delay in information regarding pension report which should hopefully be received in June/July 2023.

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

7 **ANNUAL ASSURANCE STATEMENT AND SIAS ANNUAL REPORT 2022/23**

The SIAS Client Audit Manager presented a report in respect of the SIAS Annual Assurance Statement and Annual Report 2022/23.

The SIAS Client Audit Manager stated that in line with the previous year, 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 Committee was advised that the proposed Audit Charter, set out at Appendix D to the report, was unchanged from the 2022/23 version.

In response to a question regarding the Cyber Security and Commercial Properties Audits, the SIAS Client Audit Manager stated that they had been cancelled at the

end of the last Audit year but would be rescheduled later this year. He confirmed that Cyber Security was of high importance and would remain on the radar of the Team.

In relation to Environmental Maintenance, further details would be included in the next progress report which would be submitted to the Committee in September

The Assistant Director of Finance confirmed to the committee that there was no inappropriate limitations on Internal Audit during 2022/23.

It was **RESOLVED:**

1. That the Annual Assurance Statement and Internal Audit Annual Report 2022/23 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 2023/24, as attached at Appendix D to the report, be approved.
4. That it be confirmed that the scope and resources for internal audit were not subject to inappropriate limitations in 2022/23.

8 **ANNUAL GOVERNANCE STATEMENT 2022/23 AND LOCAL CODE OF CORPORATE GOVERNANCE**

The Corporate Performance and Improvement Officer presented the Annual Governance Statement (AGS) and Local Code of Corporate Governance for 2022/23.

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.

In response to a question, Officers confirmed that the Leader’s Financial Security Group had been renamed the Council’s Financial Security Group

The Corporate Performance and Improvement Officer then advised that the AGS was required to be reviewed each year. It described the Council’s governance arrangements, how they were reviewed, significant governance challenges and actions to address them.

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 2022/23 Annual Governance Statement, as attached at Appendix 2 to the report, be recommended for approval by the Statement of Accounts Committee.

9 **URGENT PART I BUSINESS**

None.

10 **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.

11 **PART II MINUTES - AUDIT COMMITTEE - 27 MARCH 2023**

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 27 March 2023 be approved as a correct record and signed by the Chair.

12 **STRATEGIC RISK REGISTER**

The Corporate Performance and Improvement Officer presented a report providing the Quarter 4 2022/23 (January to March 2023) update in respect of the Strategic Risk Register.

The Corporate Performance and Improvement Officer, assisted by the Assistant Director Finance, 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.

13 **URGENT PART II BUSINESS**

None.

CHAIR

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Meeting AUDIT COMMITTEE

Portfolio Area: Resources and Transformation

Date: 6 September 2023



LOCAL AUDIT DELAYS – DLUHC UPDATE JULY 2023

NON-KEY DECISION

Author – Rhona Bellis
Contributor – Brian Moldon
Lead Officer – Brian Moldon
Contact Officer – Brian Moldon

1 PURPOSE

- 1.1 To update Members with proposals from Department for Levelling Up, Housing and Communities (DLUHC) to address the backlog of local government audits in England and how these proposals may impact the Council.

2 RECOMMENDATIONS

- 2.1 That Members note the contents of this report.

3 BACKGROUND

3.1 Local Audit Delays

- 3.1.1 There has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions.
- 3.1.2 Local audit completion for the financial year 2021/22 remains at approximately 27 percent, with the combined total of outstanding local audits dating back to 2015/16 now totalling nearly 520. There is consensus across the system that there is now no alternative but to take collective action to resolve the backlog.
- 3.1.3 In order to restore timely audit and financial reporting, improve local accountability, strengthen the government's ability to identify warning signs of

potential failure in local bodies and provide assurance to local residents about financial management and governance, DLUHC, has led urgent cross system work over the Spring - involving auditors, Section 151 Officers, regulators, government departments and other key stakeholders – to find a solution to reset the system.

Stevenage Borough Council currently has three years' worth of accounts 2020/21, 2021/22 and 2022/23 that have yet to be audited by the Council's external Auditor EY.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 DLUHC Proposals (summary – details in Appendices A and B)

- 4.1.1 That the National Audit Office (NAO) and DLUHC set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls and financial reporting, as well as financial resilience, governance and risk. This should allow auditors to maximise level of assurance and focus on the most recent financial information.
- 4.1.2 Where necessary, it is intended that auditors would need to limit their opinion, making clear to the user of the accounts where full evidence hasn't been confirmed, and which the auditor is therefore unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.
- 4.1.3 Consideration is also being given to changes to the Code of Audit Practice on certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation.
- 4.1.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) has already made a temporary adjustment to the Accounting Code on the reporting requirements for valuation of local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.

- 4.1.5 In terms of ongoing regulatory requirements, the Financial Reporting Council (FRC) has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest. As part of this work, the FRC intends to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. The FRC is also working with auditors, practitioners and regulatory bodies to consider whether changes to the level of audit materiality may be beneficial. This work is expected to conclude before the end of the year.
- 4.1.6 The proposals will be subject to further work and engagement across the system over the Summer, including with Section 151 Officers, Chief Executive Officers, elected representatives, the Local Government Association and audit firms. Subject to the conclusion of the appropriate details, it is anticipated changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.
- 4.1.7 Under these proposals CIPFA would issue guidance to support accounts preparers to follow any amended regulations which set out new statutory deadlines, provided the authority is in receipt of the appropriate audit findings report from the auditor. CIPFA would also set out how Section 151 Officers should approach their responsibilities to certify the accounts in light of potential qualifications or disclaimers which may result from these proposals.
- 4.1.8 Following a Live Webinar on 1 August 2023 with DLUHC the following statutory deadlines are being consulted on as follows for audits:
- 2020/21- 2021/22 deadline 31 March 2024
 - 2022/23 deadline 30 September 2024
 - 2023/24 deadline 31 March 2025

4.2 The Council's Current Audit plan

- 4.2.1 The current audit completion deadlines being worked towards by EY are:
- 31 October 2023 – 2020/21 Stevenage Statement of accounts
 - 31 March 2024 – 2021/22 Stevenage Statement of accounts (may however, be subject to change for reasons outlined in this report)
- 4.2.2 If met, this would mean the Council would only have one set of accounts outstanding (2022/23), and depending on resources available at EY, there may be sufficient time in theory, for the 2022/23 audit to be completed without a qualified opinion intime for the 30 September 2024 deadline.

4.2.3 EY responded to the DLUHC proposals in a letter to s151 officers dated 26 July 2023 which can be found in **Appendix C**. EY are currently working through the impact of the proposals.

4.2.4 Delays in completing the audits means that working papers need to be revisited after a considerable period of time and can be subject to changes in personnel and also have a knock impact on future years accounts. In addition, the Council could well have two external audit firms with the new auditor Azets starting planning work on the 2023/24 accounts before the 2022/23 accounts are completed.

4.2.5 The Council's CFO raised the issue of account simplification for the delayed audits such as on asset valuations and pensions entries in the Statement of Accounts, however this has not been introduced (see also para. 4.4.2).

4.3 **Scenario if deadlines are not met**

4.3.1 If the internal deadlines are not met, the risk of outstanding accounts including qualifications and disclaimers increases.

4.3.2 Where the auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion. This is of particular concern to the Council, as part of the Public Sector Audit Appointments Limited's (PSAA) scheme, was the appointment of a new provider of audit services from 2023/24 who may well be auditing the 2023/24 Statement of accounts and with potentially qualified opening balances.

4.3.3 DLUHC will consider measures to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years and ensure the burden of auditing opening balances does not risk creating further delays. What these measures are is unknown at this time.

4.4 **The Future**

4.4.1 As referred to above, further work is being undertaken by a number of public bodies and CIPFA to ensure that future backlogs do not recur. Considerations include:

- balancing the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer.
- whether the level of work required for the current reporting and disclosures obligations on account preparers, which then require audit and oversight, is proportionate to their value to the user of the accounts, given the potential financial or governance risks are relatively low.

4.4.2 CIPFA is therefore exploring changes to the Code of Practice on Local Authority Accounting for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for non-investment assets and pension valuations for a local authority context. As a standard setter, CIPFA's guiding principle in approaching any changes to the reporting requirements adopted by the public sector in 2010 will be ensuring that high-quality financial reporting and the utility of financial statements to account users is maintained.

4.4.3 There are also seen to be advantages to the alignment of central and local government accounting, including allowing local government accounts to be more easily consolidated into the statutory Whole of Government Accounts. The Council currently prepares information for this consolidation in conjunctions with the preparation of the statement of accounts.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 The impact on audit fees of these proposals, or demand on internal resources is unknown at this time.

5.2 Legal Implications

5.2.1 None at this proposal stage

5.3 Risk Implications

5.3.1 The imposition of statutory deadlines to curtail audit activity increases the risk of accounts being qualified only on the basis of this curtailment. This then has knock on impacts on following years opening balances when in fact in a "normal" year the accounts would not have been qualified.

5.3.2 Qualification as a result of these proposals may not be fully understood by users and have a negative impact on the reputation of the council and its financial management.

APPENDICES

- Appendix A - Minister Rowley Letter to the sector regarding Local Audit
- Appendix B - Local Audit Delays Criss-System Statement
- Appendix C - EY Local Audit Market update July 2023

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APPENDIX A



Department for Levelling Up,
Housing & Communities

Lee Rowley MP

*Parliamentary Under-Secretary of State for Local
Government and Building Safety*

To: Local Authority Chief Executives, Local Authority
Leaders and
Chief Financial Officers in England, and
Local Audit Firm Partners

***Department for Levelling Up, Housing and
Communities***

Fry Building
2 Marsham Street
London
SW1P 4DF

18 July 2023

Dear Chief Executive / Chief Financial Officer / Local Authority Leaders / Local Audit Firm Partners,

This letter comprises an update on work since the Spring that DLUHC officials, along with Financial Reporting Council (FRC) colleagues, have undertaken to address the significant backlog of local audits in England and develop a sustainable solution to the timeliness challenges which the sector has faced in recent years. At the time of writing, only 27% of local audits have been completed for the financial year 2021-22. The combined total of outstanding local audits dating back to 2015-16 is now totalling nearly 520.

The attached paper derives from the recent work and outlines a proposed approach to resolving these issues, which has been agreed in principle with key partners across the local audit system. As Leaders of Local Authorities, Chief Executive Officers and Chief Financial Officers, you and your finance teams, alongside your auditors and Key Audit Partners, are critical to delivering high-quality financial reporting and audit in the public interest. As the paper suggests, decisive and concerted action is required to deal with the challenges in the local audit system. I would very much welcome your support in these endeavours and DLUHC officials will continue to engage with you as these proposals are further developed.

In summary, we are proposing that the National Audit Office (NAO) and DLUHC set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls and financial reporting, as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion, making clear to the user of the accounts where full evidence hasn't been confirmed, and which the auditor is therefore unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.

It will be the case that these deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, there is broad consensus across the system that without any action being taken,

delays will continue for a number of years, and in that scenario, when the delayed audits are reported they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.

It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.

The Comptroller & Auditor General (C&AG) is therefore considering changes to the Code of Audit Practice on certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation. The C&AG will of course keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.

To support this broader work, it is important that the accounting framework set through the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting carefully balances the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. CIPFA is therefore exploring changes to the Code for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for local authority non-investment assets and pension valuations for a local authority context.

CIPFA has already made a temporary adjustment to the Accounting Code on the reporting requirements for valuation of local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.

In terms of ongoing regulatory requirements, the FRC has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest. As part of this work, the FRC intends to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. The FRC's inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance. The FRC is also working with auditors, practitioners and regulatory bodies to consider whether changes to the level of audit materiality may be beneficial. This work is expected to conclude before the end of the year.

The Levelling Up, Housing and Community Committee is conducting an inquiry into Local Financial Reporting and Audit. I gave evidence to the Committee on 17 July and I have shared a copy of the enclosed cross-system statement with the Committee Chair.

The proposals will be subject to further work and engagement across the system over the Summer, including with Section 151 Officers, Chief Executive Officers, elected representatives, the Local Government Association and audit firms. We look forward to discussing this further with you in the coming weeks and will ensure that there are arrangements in place to engage all parts of the local audit sector, including the range of local bodies. Subject to the conclusion of the appropriate details, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Lee', is centered at the top of the page.

LEE ROWLEY MP

Parliamentary Under-Secretary of State for

Local Government and Building Safety

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APPENDIX B

LOCAL AUDIT DELAYS – CROSS-SYSTEM STATEMENT ON PROPOSALS TO CLEAR THE BACKLOG AND EMBED TIMELY AUDITS

Introduction

1. There has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions. Since November 2020, the Department for Levelling Up, Housing and Communities (DLUHC) has implemented a wide range of measures to improve timeliness and the wider local audit system as part of its response to Sir Tony Redmond's *Independent Review of local financial reporting and audit*.¹ In addition, in December 2021 DLUHC published a further package of measures to improve local audit delays, which went beyond Sir Tony Redmond's original recommendations.
2. We recognise that fuller action is required. This note sets out a range of broad proposals and actions, agreed in principle with key partners across the local audit system, to address the backlog of local audits in England. Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework, and we must collectively ensure that the local audit system is on a strong and sustainable footing for the future. There exists a shared resolve and commitment amongst the organisations referenced in this document to take action now to tackle the exceptional circumstances of the current backlog and ensure a return to timely delivery of high-quality financial reporting and external audit in local bodies,² in order to provide the vital accountability and assurance needed for local people and their elected representatives.
3. Further engagement and cross-system work will be needed this Summer to finalise the proposals outlined in this statement. Following this, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

Context

4. Local audit completion for the financial year 2021/22 remains at approximately 27 percent, with the combined total of outstanding local audits dating back to 2015/16 now totalling nearly 520. This is clearly unacceptable. There is consensus across the system that there is now no alternative but to take collective action to resolve the backlog. Restoring timely audit and financial reporting will improve local accountability, strengthen the government's ability to identify warning signs of potential failure in local bodies and provide assurance to local residents about financial management and governance.
5. DLUHC, working with the Financial Reporting Council (FRC) as it prepares to commence the shadow system leadership role, has led urgent cross system work over the Spring - involving auditors, Section 151 Officers, regulators, government departments and other key stakeholders – to find a solution to reset the system.

ADDRESSING THE LOCAL AUDIT BACKLOG: PROPOSITION

6. Working together, the National Audit Office (NAO) and DLUHC intend to set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed

¹ [Local authority financial reporting and external audit: independent review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-authority-financial-reporting-and-external-audit-independent-review)

² Local bodies include councils but also other relevant authorities as defined under the Local Audit and Accountability Act (2014)

audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls, financial reporting as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion and make clear to the users of the accounts those aspects or sections of a set of accounts which are not supported by sufficient, appropriate evidence, and which the auditor is unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important mechanism for assurance and for identifying areas of concern at an early stage, allowing councils to address them. Under these proposals this will remain a high priority.

7. These deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, including to mitigate any unintended consequences of these measures, there is broad consensus from organisations referenced in this document that without any action being taken, the delays will continue for a number of years, and in that scenario, when the delayed audits are reported, they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.
8. Where an auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion. The Department is seeking to ensure that work to clear the backlog of accounts takes place within a limited window of time. It will therefore consider measures to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years and ensure the burden of auditing opening balances does not risk creating further delays. An important consideration will be ensuring there is appropriate assurance in place for opening balances for the start of the new contract period for the 99% of local bodies which have opted in to Public Sector Audit Appointments Limited's (PSAA) scheme.

Commitments by system partners

9. The **National Audit Office** is considering the development of a replacement Code of Audit Practice to give effect to the changes outlined above. This would include a requirement on auditors to issue the audit opinion for specific financial years in line with new statutory deadlines set out in legislation for the relevant authority. Auditors' statutory requirement to report on value for money arrangements would remain unchanged. Auditors would also be expected to facilitate a smooth transition during the contract handover period for the 2023/24 contracts. As part of this work the NAO will be establishing a specific Programme Board to provide the necessary governance to deliver a replacement Code of Audit Practice by the end of the year including the necessary consultation and Parliamentary process.
10. Alongside this **DLUHC** is considering whether legislative change is needed to:
 - a. set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

- b. address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years.
11. Under these proposals the **Chartered Institute of Public Finance and Accountancy (CIPFA)** would issue guidance to support accounts preparers to follow any amended regulations which set out new statutory deadlines, provided the authority is in receipt of the appropriate audit findings report from the auditor. CIPFA would also set out how Section 151 Officers should approach their responsibilities to certify the accounts in light of potential qualifications or disclaimers which may result from these proposals.
12. To support these changes, the **Financial Reporting Council (FRC)** will publish guidance on its regulatory approach to Major Local Audits³ (MLAs), articulating the importance of timeliness and compliance with statutory deadlines as an additional measure of audit quality. It will work with the NAO on the development of guidance where necessary to assist with the application of standards for these audits, including the need to meet the statutory dates. Local auditors will be required to have regard to and follow the NAO's guidance. The FRC's inspection activity would review auditors' compliance with auditing standards, the Code and relevant NAO guidance.
13. The FRC will use its broader supervisory role to ensure commitment from audit firm leaders to implement the policy measures and the steps that are being taken to meet the timetables for concluding historical audits. This route will be used to escalate any pervasive concerns the FRC has gathered on an audit firm's resilience, risk management and ability to deliver timely local audits and address their part of the backlog.
14. Under these proposals the FRC intends not to undertake routine audit quality reviews and inspections of MLAs for the historic audits up to the end of the 2021/22 financial year (though FRC will continue to inspect audit firms which deliver NHS audits). FRC will only conduct quality review inspections for historical audits where there is a clear case in the public interest to do so. The FRC will suspend the decision on the timing, scope, and coverage of inspections for the 2022/23 audits until there is confirmation of any revision to the NAO's Code of Audit Practice.
15. The FRC will need to ensure that its enforcement function is still able to appropriately gather information and evidence to determine whether, in the public interest, there should be an investigation into accounting or auditing issues where there are significant financial and governance failures.
16. The **Institute of Chartered Accountants in England and Wales (ICAEW)** is responsible for the inspection and regulation of non-Major Local Audits.⁴ The ICAEW proposes that its regulatory response to these measures will be consistent with the planned action of the FRC, as set out above.
17. **PSAA** is responsible for appointing an auditor and setting scales of fees for local bodies that have chosen to opt-in to its national scheme. A small number of authorities are not opted-in to PSAA's scheme and appoint their own auditors independently. Under these proposals, PSAA anticipates that it will need to determine final fees for opted-in authorities for the historic periods on a case-by-case basis. Its guiding principle in this will remain that if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted, then they are due the appropriate fee for the

³ An audit of a local government body or NHS body with income or expenditure of at least £500m or a local authority pension scheme with at least 20,000 members or gross assets in excess of £1bn.

⁴ ICAEW's Quality Assurance Department (QAD) is responsible for reviewing local audits conducted under the Local Audit and Accountability Act that are not major local audits.

work done, and the body is due to pay the applicable fee, including where there is a disclaimer or qualified opinion. Conversely, if an auditor has collected audit fees in part or in full, and a change in requirements means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done.

18. A number of **audit firms** with responsibility for local audits from 2015 have been a party to the development of these proposals, and under these plans would work with DLUHC, FRC and NAO on their professional commitment to the steps they would take to ensure successful implementation of the measures to clear the backlog. Such a commitment, underpinned by the auditors' professional duty to be independent and deliver consistent high-quality and timely work, would be welcomed by all parties within the system. Audit firms will of course need to operate in accordance with any changes to the Code of Audit Practice as well as continuing to fulfil their existing statutory duties.
19. **Chief Executive Officers, Section 151 Officers and Audit Committees** also play a critical role in delivering high-quality financial reporting. DLUHC will continue to engage Section 151 Officers and the wider sector as proposals are further developed over the Summer.
20. Under these proposals, Section 151 Officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time. In addition, Chief Executives, Section 151 Officers, local authority Leaders and Chairs of Audit Committees should alert the auditor to significant organisational risks, critical decisions and changes in financial sustainability, and also where they have identified concerns on systems of financial control, financial reporting and capacity and capability to produce high-quality financial reporting on time. Where there are significant resilience risks, they should alert the auditor of the options, choices and alternatives that are being considered.
21. We will work with the **Local Government Association (LGA)** over the Summer, including to engage its members on these proposals. Under these proposals the LGA will support councils to understand their role in relation to external audit and that of auditors, and help councils communicate those messages to elected members and officers as necessary. The Department will also continue to engage with Section 151 Officers and treasurers' societies, in addition to representatives from the range of authorities impacted by these proposals.

LONGER TERM CHANGE

22. In order to prevent a recurrence of the backlog, it is essential that underlying issues which may have driven delays are addressed. Work will therefore progress with a number of organisations including the FRC, the NAO, CIPFA and the LGA to devise an escalated reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines. We will also look to publish a list of local bodies and audit firms which meet statutory deadlines and those which do not.
23. Other underlying challenges will also continue to be addressed. The FRC is already leading work across the system to improve competition, capability and supply within the audit market. The FRC, supported by DLUHC, is committed to producing a workforce strategy by the end of the 2023 calendar year, which will identify gaps and barriers across the local audit system that are hindering the development of future capacity and agree actions and solutions to unblock these with stakeholders.

Local financial reporting, auditing and regulatory requirements

24. It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.
25. Although reporting and disclosure requirements required by the Code of Practice on Local Authority Accounting have not changed for many years, there is a perception that both audit and regulatory expectations relating to the audit of non-investment assets have increased significantly in recent years. As a result, both account preparers and auditors frequently engage specialist valuers to provide the level of assurance which is thought to be necessary. In his review, Sir Tony Redmond noted a lack of consensus within the system over how to address this.
26. Local authority financial reporting must balance the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. Where reporting, auditing and regulatory standards combine to create pressures which delay timely reporting and audit, this should be addressed by responsible organisations across the local audit system. Doing so is vital in ensuring the delicate balance between high-quality financial reporting and user value is maintained.
27. There is also a question as to whether the level of work required for the current reporting and disclosures obligations on account preparers, which then require audit and oversight, is proportionate to their value to the user of the accounts, given the potential financial or governance risks are relatively low. All system participants therefore need to consider whether this work is proportionate to risk and a wise use of taxpayers' money, and will do so in the coming months.
28. Local authority accounts are consolidated within the statutory Whole of Government Accounts, which are prepared in accordance with International Financial Reporting Standards (as adapted and interpreted for the public sector). Since 2010 these standards have been reflected in the Code of Practice on Local Authority Accounting, which is independently set by CIPFA and passed by the CIPFA LASAAC⁵ board, under the advice of the Financial Reporting Advisory Board (FRAB) - an independent advisory board.
29. In light of these issues, the **Comptroller & Auditor General (C&AG)** is considering changes to the Code of Audit Practice relating to certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. The C&AG is taking this action under the requirement of the 2014 Local Audit and Accountability Act that he should keep under review whether the existing Code continues to embody best professional practice with respect to the standards, procedures and techniques to be adopted by local auditors. As such, it reflects the seriousness with which he views the current delays in the local audit system. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation.
30. The NAO has established a dedicated programme board, supported by at least three working groups, to develop the potential changes and related technical questions with stakeholders. A range of mechanisms will be considered to allow auditors to discharge their responsibilities to gather sufficient, appropriate and reliable audit evidence in accordance with International Standards on Auditing (ISAs).

⁵ Local Authority (Scotland) Accounts Advisory Committee

31. The C&AG, as he is required to do by the Local Audit and Accountability Act 2014, will keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.
32. **His Majesty's Treasury (HMT)** is conducting a thematic review of the valuation of non-investment assets such as roads and office buildings for financial reporting purposes across the public sector. The review is seeking to evaluate the advantages and disadvantages of the current valuation regime and consider the appropriate measurement options.
33. There are advantages to the alignment of central and local government accounting, including allowing local government accounts to be more easily consolidated into the statutory Whole of Government Accounts. As set out above, however, the level of work required by account preparers and auditors must not limit the value of the accounts to the user. **CIPFA** is therefore exploring changes to the Code of Practice on Local Authority Accounting for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for non-investment assets and pension valuations for a local authority context. As a standard setter, CIPFA's guiding principle in approaching any changes to the reporting requirements adopted by the public sector in 2010 will be ensuring that high-quality financial reporting and the utility of financial statements to account users is maintained. As outlined above, any consideration of changes to accounting requirements will be accompanied by a broader set of measures from actors across the system.
34. CIPFA's work will run in parallel to HMT's thematic review. As the body responsible for local government accounting requirements, CIPFA is part of the working group HMT has set up for the review. CIPFA has clearly set out its view on the review's proposals. CIPFA will continue to work with HMT to ensure that any consequential changes to the Government Financial Reporting Manual (FReM) and the Code of Practice on Local Authority Accounting are considered fully to ensure that the users of local authority accounts are incorporated.
35. In addition, CIPFA has already made a temporary adjustment to the Code on the valuation and reporting requirements for local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.
36. **The Financial Reporting Council (FRC)** has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest through alignment with the significant financial, accounting and governance risks facing local bodies. As part of this the FRC expects to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. FRC inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance.
37. The FRC has also indicated, in principle, that if the audit and reporting requirements for operational asset and pensions valuations are revised, its intention will be to update the inspection approach to reflect the changes in these areas.
38. The FRC's Audit & Assurance Sandbox initiative is taking forward a specific policy discussion on the application of materiality by local authority auditors. The Sandbox brings together groups of auditors, practitioners, regulatory bodies and interested parties to explore, identify and develop solutions to specific technical and policy issues. The

materiality discussions are expected to conclude before the end of the year. Next steps could include, for instance, the FRC determining whether additional guidance is required to support how auditors set materiality levels for local bodies in line with auditing standards or working with those local audit suppliers who decide to set a different basis of materiality without such guidance.

Conclusion

39. The local audit system, which comprises all of the organisations listed above, recognises the need to restore the timeliness of financial reporting and audit in local government. That is why all system partners have made clear proposals to reduce the backlog of local audits in England which are detailed in this statement. The Government will continue to work with the FRC and all key partners across the system to continue this ambitious programme of work over the Summer. As noted above, this will include consideration of longer-term changes in order to create a more sustainable local audit system for the future.

14 July 2023

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26 July 2023

Dear Section151 Officer colleagues

Local Audit market update

Ministerial announcement

Lee Rowley MP spoke at the Department for Levelling Up, Housing and Communities (DLUHC) Committee on 17 July 2023, as part of an inquiry into Financial Reporting and Audit in Local Authorities and outlined a series of proposals in relation to public sector audit. We understand that the Minister wrote to Authorities on 19 July 2023, sharing the proposals discussed at the Committee on 17 July 2023. We have attached a copy of the Minister's proposals for information.

Audit plays a vital role in underpinning trust, transparency, and confidence in local authorities, and we are committed to our role in serving the public interest by delivering consistent high-quality audits. The challenges facing the existing framework for local authority audit are well-documented and have been highlighted by auditors, the Redmond Review, the National Audit Office, the Local Government Association and Parliament. EY has worked closely with relevant stakeholders, providing insights as DLUHC and the Minister developed their proposals and we will continue to do so.

We welcome the proposals and recognise the need to re-establish the local authority audit framework on a more sustainable basis. The Government's proposals will reset local authority audit, with auditors able to focus on providing assurance on public bodies' most recent financial statements.

As set out in the Minister's letter to the Committee and covering letter to S151 Officers, the proposals will be subject to further work and engagement across the system over the summer, with an intention that, subject to the conclusion of the appropriate details, agreed changes will be implemented by the end of this calendar year. We will continue to engage in this process.

Next steps

We understand that you may have questions about how the proposals may potentially impact your organisation. We are working hard to understand the detail behind the proposals and the actions that may need to be taken.

As we work through this over the coming months, your audit partner will be in contact to set up an initial discussion on the impact. We will also want to work with you to discuss how we participate in broader conversations with other relevant stakeholders in your authority, such as the Audit Committee and Chief Executive.

The Minister's proposal offers all stakeholders an opportunity to reset the system and we would welcome and encourage you to consider what opportunities this might present to your authority and discuss these with us. Once again, we remain committed to achieving the reset of the local audit system and look forward to working collaboratively with you over the coming months.

If you have any questions in the meantime, please don't hesitate to contact your key audit partner, or indeed me.

Yours sincerely



Stephen Reid
Partner, UK Head of Public Sector Audit
for and on behalf of Ernst & Young LLP

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Stevenage Borough Council

Audit Committee

Anti-Fraud Report 2022/23

Purpose

1. This report provides details of the work undertaken by the council and the Shared Anti-Fraud Service (SAFS) to protect the council against the threat of fraud and the delivery of the council's Anti-Fraud Action Plan for 2022/2023.

Recommendations

2. **Members are RECOMMENDED to;**
 - I. **note the activity undertaken by the Shared Anti-Fraud Service to deliver the 2022/2023 Anti-Fraud Plan for the council.**
 - II. **note the other anti-fraud activity undertaken to protect the council.**

Background

3. National reports and papers continue to be used by the Shared Anti-Fraud Service (SAFS) to ensure that the Council is aware of new and emerging fraud threats as well as those established/known risks. This helps to mitigate or manage the Councils fraud risks through a programme of work including the Anti-Fraud Plan. Details of these reports, along with other suggested background reading for Members, can be found below and at **Section 56** of this report.

4. 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.

Lost Homes, Lost Hope. This paper, published by the Fraud Advisory Panel & Tenancy Fraud Forum in April 2023 uses previous data and research to estimate the current cost to local government of tenancy fraud along with the volume of fraud across the sector.

5. 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, but no detailed research in this area has been undertaken for a number of years.
6. The Public Sector Fraud Authority (Cabinet Office), Department for Levelling Up, Housing and Communities (DLUHC), National Audit Office, and CIPFA all continue to issue advice, and best practice 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.

7. It is essential that the council has in place a robust framework to prevent and deter fraud, including effective strategies and policies and a response to deal with the investigation and prosecution of identified fraud.
8. Stevenage Borough Council is a founding member of the Shared Anti-Fraud Service (SAFS). Members of this committee, and the Senior Leadership Team have received regular reports since then explaining how SAFS works with the Shared Internal Audit Service (SIAS), dealing with all aspects of fraud/corruption/money laundering from prevention & deterrence to investigation & prosecution, working with staff at all levels across the Council.

Report

SAFS Activity – Delivery of the 2022/2023 Anti-Fraud Plan

2022/2023 Plan

9. In March 2022 this committee approved the Anti-Fraud Plan for 2022/2023 developed with council officers in partnership with SAFS. A copy of the Plan can be found at **Appendix 1**.
10. The Plan includes resources and costings for its delivery, and activity to protect the council from fraud. The plan includes a copy of the latest Fighting Fraud and Corruption Locally Strategy and Key Performance Indicators (KPIs) for SAFS which were agreed with senior officers. KPI performance can be found in **Table 1** below.
11. The Anti-Fraud Plan for 2022/23 was designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL) adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue. The plan identifies officers and members who are charged with delivering it.
12. 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 Councils anti-fraud activity. We continue to use the checklist to inform the Councils anti-fraud planning, adding new actions/objectives as they become relevant.
13. The plan identifies officers/members who will have a role in delivering it and SAFS will work with all concerned to ensure they fully understand their role in delivering the Plan.
14. Members will note this Committee has a continuing role in ensuring that the Council meets its objectives.

Staffing

15. The SAFS Team (in April 2022) was composed of 22 accredited counter fraud staff, based at the County Council's offices in Hertford.
16. Each SAFS Partner receives dedicated support and response and for 2022/23 this was achieved by allocating a number of staff to work exclusively for each Partner, whilst allowing officers within the Team to work with other 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 whole Partnership. SAFS staff have access to council offices, officers, data and systems to undertake their work.
17. For 2022/23 SAFS 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 continued secondment of the Councils Tenancy Fraud Officer to SAFS, providing an enhanced service for the Council in this key area. The SAFS Support Team includes specialists in data-analytics, financial investigations and open source investigations.
18. 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 various streams including awareness training, fraud risk assessment, investigations, intelligence, data-analytics and fraud management.
19. As part of the Anti-Fraud Plan for the Council objectives and KPIs are agreed with senior managers across the Council. Progress against these KPI's are reviewed during the year.

Table 1. SAFS KPIs for 2022/2023 and Performance

KPI	Measure	Target 2022/23	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 the Senior Manager to review the work of SAFS. SAFS reports are provided to the SAFS Board, CGG and the Councils Audit Committee. The Councils Strategic Director (CFO) and Assistant Director of Finance (Deputy 151 Officer) sit on SAFS Board.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	A. 1 FTE in place for 2022/2023 & TFO seconded into SAFS. B. Reports to AC in Sep 22/ Nov 22 /March 23. C. SAFS works closely with Service Champions and senior leaders/managers across the Council.
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 SAFS provides PNLD licence. B. SAFS is a member of CIPFA via HCC. C. Training has been provided to staff by SAFS and via NAFN webinars. D. Thirteen formal training events were delivered in 2022/23 for officers and members.
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 loss or fraudulent RTB applications – 12 properties/applications 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 Mgt and SAFS Board. C. 39 Investigations closed with 23 identifying fraud- 59% success rate. D. 11 Properties were recovered in year and 1 RTB.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2022/23 upload and output. B. Support the implementation of the Herts FraudHub. C. Consider other areas where the better use of data will benefit the Council financially.	A. NFI Exercise complete in full with work ongoing into 23/24 to resolve outcomes B. SBC were part of the Herts FraudHub in 22/23. C. Other areas of data-analytics will be considered as part of our work in 2023/24.

Fraud Awareness and Reported Fraud

20. A key objective for the Council is to improve 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 Council's stance on fraud and corruption.
21. 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:
<https://www.stevenage.gov.uk/benefits/reporting-fraud>
www.hertfordshire.gov.uk/fraud
Both the Council and SAFS webpages include the various frauds that affect the Council and reports of cases that have been prosecuted, including those by Stevenage Borough Council.
22. Council staff can use the same methods to report fraud or if they work within housing services or revenues & benefits they can report fraud directly to SAFS staff working at the council offices.
23. SAFS delivered training to staff and Members via both face-to-face/virtual means during 2022/2023 including general fraud awareness, use of the services provided by National Anti-Fraud Service, Anti-Money Laundering and new services provided by the Cabinet Office as part of the National Fraud Initiative.
24. The mandatory e-training modules on anti-fraud/ bribery/ money laundering was available for staff and the HR Team can report on completion of this training.
25. Following the pandemic SAFS increased its work around fraud prevention as a priority for the service. We made a decision to resolve most low-level fraud through the use of warning letters, advisory notices or compliance letters to customers. More serious allegations of fraud or those needing immediate attention would be prioritised.
26. SAFS continues to provide guidance to Council services and share fraud alerts and best practice provided by 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, Bedfordshire Police, Trading Standards, and the Public Sector Fraud Authority (PSFA).

Case 1: CIFAS Alert. SAFS receives monthly threat alerts of emerging frauds experienced by members in the previous month. This is an example of the 'Insider Threat' which was one of several areas listed in September 2022. Across SAFS Partners, we have experienced many of the frauds listed below.

2. The Insider Threat

This section focuses on the threat from within the workplace



Members this month have reported on the following fraud threats:

- Increase in staff members benefiting from fraud that has taken place such as withdrawal of funds from customer accounts to their own. This has occurred in relation to both staff working in branches and contact centres.
- Suspected insider fraud relating to vehicle finance. With staff members contacting the customers via their personal mobiles so the calls and messages are not recorded, there have been staff moving between two brokers for job opportunities.
- Increase in staff members who are also customers with the bank submitting false payment dispute claims. In these situations, the member can see the staff member has entered their overdraft prior to the claims being made.
- Instances of work avoidance whereby the staff member had a second job. Although this position was declared to the organisation, the employee had used their social media account to advertise appointments with clients during their primary work hours.
- Staff have been using corporate cards for personal expenses such as coffee and lunches. Larger fraudulent expenses have been circa thousands of pounds to the card. In some cases employees have requested refunds which have not been returned to the account, instead the staff member has kept the money

27. SAFS maintains an excellent working relationship with the Shared Internal Audit Service (SIAS) and the Shared Legal Service including work on civil recovery of council homes, criminal litigation, and policy review.

Reactive and Proactive Fraud Investigation

28. In 2022/2023 SAFS issued fraud alerts on more than 15 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.

Case 2: In late 2022 SAFS shared the alert below from Hertfordshire Owl Networks.

"We have been alerted to reports of a criminal group who are mimicking the email domains of reputable law firms, attorneys, and debt collecting agencies to send emails asking for overdue payments. They are indiscriminate as to which industry they target. The emails are designed to look very similar to those of the reputable organisations they are mimicking. They use "social engineering" to convince the recipient to carry out a particular action, such as to pay an outstanding invoice. Invoices are sent as a PDF file and appear the same as a legitimate invoice but the banking details have been replaced with those of the criminal group.

Indicators of "spear phishing" emails:

Suspiciously spelt email addresses.

Use of language prompting urgency or risk such as: "Urgent!" "Overdue!"

Unexpected change of payment details.

Threats that the "problem" will be raised to a manager or executive."

29. During 2022/2023 SAFS received 132 allegations of fraud (referrals) affecting Council services (112 2021/2022). Referrals increased slightly on the previous two years but are still below pre-pandemic levels, which is very positive.

Table 2. Types of fraud being reported (in year):

Housing Benefit/CTax Fraud	Tenancy/Housing	Blue Badge	Right to Buy	Other *	Total
60	56	5	6	5	132

*Other includes Payroll/Mandate, but in the main fraud not affecting the Council.

Table 3. Who is reporting fraud:

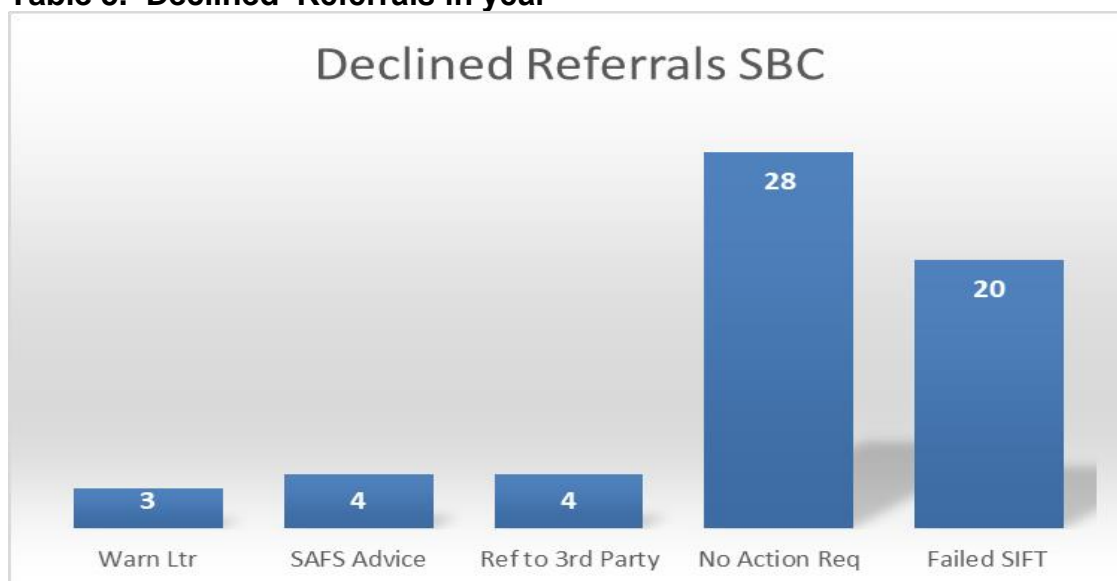
Fraud Reported by Staff	Reports from Public	Data-Matching/Proactive	Other Agencies	Total
52	71	8	1	132

Table 4. Historic Fraud Referrals (SBC)



30. It should be emphasised that not every referral/allegation will need to be investigated and some can also be false, misleading or incorrect. Every referral received is risk assessed and sifted by the SAFS Intelligence Team to determine what further action should be taken. In total 59 allegations received in 2022/23 were not selected for further investigation.

Table 5. 'Declined' Referrals in year



31. 'Failed SIFT' is used 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 in the allegation. Referrals that are passed to 3rd parties occurs where another agency needs to investigate the referral such as DWP/HMRC. 'SAFS Advice' is where some guidance/support has been provided to Council officers, but a full investigation is not required. 'Warning Letters' are used to advise residents that they may be coming an offence if their actions continue.
32. In addition to the referrals that did not require an investigation 10 'low risk' cases involving alleged council tax fraud were resolved through compliance activity or review. This resulted in the identification of £11k in additional council tax revenue.
33. 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 also takes part in the International Fraud Awareness Week each November.

The **COMET**

Former Stevenage Borough Council employee sentenced for fraud offence

34. At this time many cases raised for investigation are still in the early stages. However, of the 39 cases (a decrease from 42 in 2021/2022) investigated and closed in the year, 23 identified fraud - with recoverable losses of £273k, and fraud savings (through prevention) of £250k reported. The volume and value of fraud identified/prevented had both remained comparable to previous years. The decline in cases investigated, from its peak 2019/20, is due to majority of low value housing benefit fraud cases now falling under the remit of DWP and migration of much of the housing benefit caseload to Universal Credit.

35. At year end of March 2023 19 cases remained under investigation with an estimated fraud loss of just over £231k.

Table 6. Fraud Investigations Closed Each Year (SBC)



36. As well as the financial values identified SAFS assisted in the recovery of 11 council properties that were subject to some form of tenancy fraud. SAFS conducted 60 anti-money laundering reviews of 'right to buy' applications and uncovered one fraudulent 'right to buy' application, preventing a property being lost from the councils housing stock.

Case 3: A Right-to-Buy (RTB) application was prevented and a property recovered due to the checks that are conducted during the review process.

A financial report showed a tenant applying for a RTB for a council property at Holly Copse, Stevenage held a mortgage for a property elsewhere. Further enquiries revealed that the tenant had owned the second property since 2005.

On reviewing the tenants housing documents an application for housing completed in 2010 showed they failed to declare ownership of the property. Then in 2017, when a change occurred within the family, and a sole tenancy was obtained by the remaining tenant again the tenant failed to declare they owned another property.

The tenant was interviewed by officers from SAFS and later withdrew the RTB application. The keys for the Holly Copse property were returned without the need for enforcement action and the tenancy terminated.

This successful outcome ensured that a property remained as part of the Councils housing stock and enabled a family, previously living in temporary accommodation, to be housed.

37. SAFS had also identified, by the end of March 2023, that a further 5 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. In April 2023 the Fraud Advisory Panel (FAP) published a report 'Lost Homes-Lost Hope' following up from a paper published in 2021 by the Tenancy Fraud Forum 'Calculating Losses from Housing Tenancy Fraud', both papers were supported by CIPFA, CIFAS, the Cabinet Office and the Chartered Institute of Housing.
39. The 2021 report calculated the losses of an average housing fraud, per case, to the public purse to be in the region of £41k, of which £36k is attributable to the cost for local authorities through the provision of temporary accommodation as a result of the fraud.

Case 4: Tenancy Fraud and associated fraud

In 2022 an anonymous referral was received from a member of the public stating a tenant of Scarborough Avenue had abandoned their property and moved abroad. The tenant had allowed other people to live in the property who were causing Anti-social behaviour.

The tenant had continued to receive financial assistance (welfare benefits and universal credit) and had not disclosed they were no longer resident in the UK.

Evidence obtained by SAFS corroborated the allegation and showed the tenant had moved to Cyprus during August 2020 and had not returned to the UK since then. This included financial records that showed spending in the UK until August 2020 and thereafter spending was outside the UK. The claim for benefit in the UK were all suspended when SAFS notified the appropriate agencies.

Although the tenant was invited to attend interviews to explain the evidence obtained and support the investigation they declined to respond.

Notices were served and an application was made to court to recover the property. The Council obtained an order, a warrant was issued, and the property was brought back into stock. The property was a family home with a garden and has been let to a family in need who had been in temporary accommodation for some time.

40. The vast majority of fraud referrals received from the public relate to housing benefit or council tax reductions/discounts. SAFS and the Councils Shared 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 5: Council Tax Reduction Scheme (CTRS) Fraud

Referral made to SAFS in April 2022 as a result of a wider investigation showed that the resident of a property at Fallowfield in Stevenage may have deprived themselves of capital to claim a number of benefits/allowances.

As investigation revealed that the person liable for Council Tax at the Fallowfield address had been claiming council tax support (CTS) as the resident owner, due to their low income/savings, for some years.

Further enquires revealed that the resident claiming CTS had sold the Fallowfield property the previous year and had not declared this fact to the Council, or that the new owners had occupied the address from the same date. The resident had also moved from the Fallowfield address and claimed to be paying rent for a second property, for which a claim for housing benefit had been made.

SAFS made a number of enquiries including interviews with a the subjects and this revealed that the original resident of Fallowfield had failed to declare the equity received from the sale of that property on their claims for housing benefit and CTS for the new address.

As a result claims for Council Tax Reduction were removed from the Fallowfield address from the date of sale in 2021, as at that point the resident had 'excess capital', and the claims for support and housing benefit at the new address were declined for the same reasons.

41. SAFS have worked closely with the council's HR and Legal teams on allegations involving staff misconduct. In one case this resulted in the dismissal of the employee for gross misconduct and subsequent prosecution for fraud and theft committed against the Council.

Case 6: Payroll Fraud – Press Release 2023.

On Wednesday 15 February 2023, Sean GIULIANO (38) from Baldock, Hertfordshire, appeared before St Albans Magistrates Court and entered a guilty plea to one charge under the Fraud Act 2006.

On Wednesday 24 May 2023 at St Albans Crown Court, GIULIANO was sentenced to a 14-month custodial sentence, suspended for 18 months, he was also ordered to complete 250 hours of unpaid work and 20 rehabilitation activity days and pay £1,000.00 in compensation to Stevenage Borough Council.

GIULIANO was formerly employed by Stevenage Borough Council as a roofer. The investigation by the Hertfordshire Shared Anti-Fraud Service identified that GIULIANO was selling building materials belonging to the council including lead flashing, for personal gain between 2017 and 2021.

The court heard that GIULIANO had abused his position and taken advantage of the trust placed in him to safeguard the financial interests of the council. His actions caused a loss to Stevenage Borough Council of £26,000. The council will be seeking full recovery of the public money that GIULIANO stole alongside the compensation he will pay via the court.

Councillor Joan Lloyd, Executive Member for Resources and Transformation said:

"This is not acceptable, and this case highlights that we take any cases of fraudulent behaviour very seriously. I am pleased that through our work with our Shared Anti-Fraud Service, we are able to identify and prosecute fraud.

"Our council delivers over 120 services to 87,500 Stevenage residents. We can't allow anyone including staff to take advantage and illegally profit from council materials and services. We hope that this case will act as a deterrent to not take risks or jeopardise their future with a possible criminal record."

Data Matching and Analytics

42. The Council is required to submit data every two years as part of the Cabinet Office mandated [National Fraud Initiative - GOV.UK \(www.gov.uk\)](https://www.gov.uk). This national data collection exercise occurs in October and for Stevenage Borough Council datasets such as payroll, housing tenants, housing register, creditors, housing benefit and council tax are required. The data collected from Councils, NHS and others is then analysed and matched to identify discrepancies including potential fraud. The data analytics also introduces data from sources such as Operation Amberhill, HMRC, DWP and General Register Office.
43. The output, or matches, from NFI comes back to Councils between February and March following the October data upload. These matches are shared in various formats for Councils to review and action. For Stevenage Borough Council, SAFS administers access to and reporting for those service areas that are required to provide a response.
44. The Council received 1,310 matches to review in a number of reports. Many of these matches require administrative review only and will not identify fraud, error, or savings, but it is essential that all are actioned and reported to avoid any fraud being missed and ensure that the Councils data is edited /amended/updated.
45. Of the 260 high priority matches reviewed and closed (or still under investigation) by the end of July 2023, 19 instances of fraud/error identified £33k in fraud loss/savings for the Council. SAFS continues to work with officers across the Council to resolve the outstanding matches by the end of the summer 2023.
46. Working with the Cabinet Office and its IT Provider for NFI, Synectic Solutions Ltd, SAFS have developed a FraudHub for all SAFS Partners that follows the same process for the two-yearly national exercise, but allows the data collected to be matched more frequently through the year. Rather than waiting for 2 years to identify a fraud we can find these much sooner and prevent ongoing loss.
47. SAFS manages the Hertfordshire Council Tax Framework for all Councils across the County. This framework is funded by the County Council and provides a fully managed service to review discounts claimed by residents against their Council Tax liability.
48. A review of discounts and exemptions for SBC in 2022/23 identified 62 properties registered as long-term empty that were actually occupied- raising a potential income of £55k in New Homes Bonus. And from a review of more than 13,000 properties where a single person discount was in place, 439 of these were removed raising £110k in additional council tax revenue for 2022/23.

Executive Reports

49. Where the work of SAFS identifies a system/process weakness that has allowed or failed to prevent a fraud occurring an Executive Report (ER) is provided to the Head of Service/Assistant Director with responsibility for that service area. The ER will detail how the weakness failed to prevent or allowed the fraud to occur with recommendations for management to consider, preventing reoccurrence.

50. SAFS advanced its plans to deliver detailed Fraud Risk Assessments (FRA) for our Partners. This included a complete FRA for the Homes for Ukraine Scheme in 2022, and plans for similar work around fraud risks in procurement and recruitment/use of agency staff in 2023/24

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)

53. The Code requires that Local Authorities publish the following data in relation to Fraud. The response for Stevenage Borough Council for 2022/23 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 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.

£107,707 (SAFS fee) + NFI national exercise & Fraud-Hub fee.

- Total number of fraud cases investigated.

39 Cases investigated and closed in year

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

- Total number of cases of irregularity investigated-

See 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 - £273k fraud losses reported, £250k fraud prevented.

Proactive- £62k of fraud was identified through NFI

Compliance- £11k from low level reviews

Council Tax Review Framework- £55k NHB/ £110K CTax

Total - £761k of fraud and irregularity identified.

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

Not recorded separately

Appendices

- 55.** The following appendices are attached to this report:-

Appendix 1 - SAFS/Stevenage Borough Council Anti-Fraud Plan 2022/23 and associated papers.

Appendix 2 - SAFS Annual Report 2022/23

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

- 56.** (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 and Corruption Tracker 2020 (CIPFA)***
 (f) ***Running on Empty (Fraud Advisory Panel 2022)***
 (g) ***Code of Practice – Managing the Risk of Fraud and Corruption (CIPFA 2014)***
 (h) ***Lost Homes, Lost Hope (Fraud Advisory Panel 2023)***

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APPENDIX 1

Stevenage Borough Council

Anti-Fraud Plan 2022/23

in partnership with

The Shared Anti-Fraud Service



SAFS
Shared Anti-Fraud Service
Fighting Fraud in Partnership

Introduction	2.
The National Context	3.
SAFS Resources for 2022/23	4.
SAFS KPI's & Standards of Service	6.
Anti-Fraud Action Plan 2022/23	7.
SAFS KPIs 2022/23	8.

Introduction

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

The Council's Strategy applies to all staff, elected members, agency staff, temporary staff, volunteers, consultants, contractors and partners and states that the aims of the Strategy are to;

- **Be clear that the Council will not tolerate fraudulent or corrupt acts and will take firm action against those who defraud the authority, who are corrupt or engage in financial malpractice.**
- **Provide a consistent framework for managers and Members, which enables effective deterrence, prevention, detection and investigation of fraud and corruption.**
- **Detail the responsibilities of employees, management and Members with regard to fraud and corruption.**
- **Assist the Strategic Director (CFO) in fulfilment of their role as the Council's S151 Officer and the Borough Solicitor | Lead Lawyer - Shared Legal Service in fulfilment of the role as the Council's Monitoring Officer.**
- **Explain the role of Council officers in relation to the prevention of fraud and actively promote a culture of openness and honesty in all its dealings and has adopted Codes of Conduct for Members and officers.**

This plan includes objectives and key performance indicators that support the Councils Strategy and follows the latest best practice/guidance/directives from the 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. A copy of the Strategy can be found at <https://bit.ly/3p5Rr98>

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 ‘Pillars’ of **Governance, Acknowledge, Prevent & Pursue** with an overarching **Protect**:

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.



Anti-Fraud Plan 2022-2023

The Councils Anti-Fraud Plan will be over-seen 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 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 for 2022/23 follows the guidelines and checklist contained in the Fighting Fraud and Corruption Locally Strategy and progress against this will be reported to senior management and the Councils Audit and Governance Committee. A full breakdown of planned activity to protect the Council can be found at **page 7**.

SAFS Resources 2022-2023

Anti-Fraud Arrangements

Stevenage Borough Council is a founding member 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 (TECAs) and in 2020 the TECAs award for '*Outstanding Professional in Counter Fraud*' was won by a member of the SAFS team

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

Although SAFS provides much of the Councils 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 2021 the SAFS Board agreed to increase the fees for all Partners by 2.5% to meet increased service costs from April 2022. 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 2022/23 are £107,707. This sum is payable quarterly.

Staffing

The full complement of SAFS in 2022/23 will be 21.6 FTE.

Stevenage Borough Council will have exclusive access to 1 FTE Counter Fraud Officer (Investigator), access to intelligence functions, data-matching services being offered through the 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 Councils Tenancy Fraud Investigator will remain seconded to SAFS for 2022/23 where their workload and line management will be provided directly by SAFS.

SAFS has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services provided by Hertfordshire County Council Legal Service and the Shared Legal Service (SLS).

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), Fraud Advisory Panel and the National Anti-Fraud Network (NAFN). SAFS has officers on the various Board for CIFAS & NAFN.

Workplans & Projects 2022-2023

As well as an agreed programme of work (see **page 7**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

Service Area	Agreed Projects
Central Services / Finance	<p>General Support and advice on fraud matters.</p> <p>3 Reports to Finance Audit & Risk Committee.</p> <p>Regular meetings with officers to consider any new and emerging fraud risks and performance against SAFS KPIs</p> <p>SAFS attendance at Corporate Governance/Enforcement Groups.</p> <p>Assisting with the development/review of the Councils anti-fraud policies.</p> <p>Money Laundering Reporting Officer (MLRO) role and Policy review, ML Risk Assessment and training for relevant staff.</p> <p>5+ fraud awareness/prevention training events for staff/members in year.</p> <p>Review and re-release of SAFS I-Learn training package on fraud/bribery/money laundering - hosted on the Councils Learning Pool.</p> <p>Roll out of NAFN training and registration for appropriate services/officers across the Council.</p>
Revenues and Benefits	<p>Close liaison with the Revs and Bens services.</p> <p>Proactive training and awareness for leadership and front-line staff.</p> <p>Reactive investigations for HB/CTRS including working with the DWP FES, where appropriate.</p> <p>Identify systems/processes/new developments to assist in recovery of debt created by fraud.</p> <p>Assist with potential fraud resulting from Covid Grant Schemes administered by the Council.</p> <p>Post payment assurance of grant schemes.</p>
Housing Services	<p>Reactive investigations for housing application & tenancy related fraud.</p> <p>Review all applications under the Right to Buy scheme to prevent fraud and money laundering.</p> <p>Provide a focus on fraud risks affecting temporary accommodation costs.</p> <p>Review housing register to identify fraudulent applications and, where appropriate, investigate these.</p> <p>Continue to work with Private Registered Providers (including Clarion/Catalyst/B3L) across all aspects of tenancy fraud to assist in the recovery of properties which can be prioritised for local residents from the Councils Housing Register.</p>
Data- Analytics	<p>Use of data and technology to prevent or identify fraud.</p> <p>Assist with NFI 2022/23 Data uploads (Oct 2022) and Output (February 2023).</p> <p>FraudHub.</p> <p>Further developing the effective use of the Cabinet Office FraudHub.</p> <p>Support for SAFS sponsored county wide Council Tax Review Framework for SPD and EHR.</p> <p>Use of data-analytics to identify fraud as result of Covid-19 and other grants schemes.</p> <p>Review extension of NFI Powers to 'other' crime and debt collection.</p>
Other / Contingency	<p>Identify fraud risks and training in other areas including payroll, licensing, parking services, planning, procurement processes & contract management.</p>

SAFS KPIs & Standards of Service.

SAFS will work to a set of KPIs agreed with senior officers and the KPIs will assist in delivering the Anti-Fraud Plan. The KPI's can be found at **page 8** and will be reported to senior officers and the Finance Audit and Risk Committee throughout the year.

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 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each 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 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.*

SBC / SAFS Action Plan 2022/2023

FFCL Pillars	Objectives	Activities	Responsible Officer
Governance	Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation.	The Council has in place an Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption.	Managing Director / Borough Solicitor / Strategic Director (CFO)
		The Councils Audit and Governance Committee will receive reports during the year about the arrangements in place to protect the Council against fraud and the effectiveness of these.	Strategic Director (CFO)/ Head of SAFS
		Audit and Governance Committee and its Chair, along with the senior management team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements including that published by CIPFA, NAO and LGA.	AC Chair/ Strategic Director (CFO)
		Weaknesses revealed by instances of proven fraud will be fed back to departments with recommendations to fraud-proof systems, and/or reported to senior managers or Internal Audit to review outcomes.	Head of SAFS/ SIAS Client Audit Manager/ Strategic Director (CFO)
		SAFS will assist the Council in providing its Fraud Data for the Transparency Code each year	Head of SAFS
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Strategic Director (CFO)/ Borough Solicitor/ HR Services Manager
ACKNOWLEDGE	Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with Governance .	Review of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies	Strategic Director (CFO)
		The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness	Head of SAFS/ Communications Manager
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and review the E-Learning training available for staff	HR Services Manager/ Head of SAFS
		The Council is a member of the Hertfordshire Shared Anti-Fraud Service (SAFS). The Strategic Director (CFO) will ensure that the services provided by SAFS are appropriate and provide an effective ROI in both savings delivered and added value.	Strategic Director (CFO)
		Audits conducted by the Shared Internal Audit Service (SIAS) will take account of known or emerging fraud risks when audit activity is being planned. SIAS will also report any suspected fraud to senior manager and SAFS to review and act upon.	SIAS Client Audit Manager
		All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Counter-Fraud Profession.	Head of SAFS
PREVENT	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its' activity and successes.	SAFS will provide fraud alerts and new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts FraudHub and Deliver the NFI 2022/2023 Exercise	Head of SAFS/ Strategic Director (CFO)
		The Council, and SAFS, will seek to work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ Strategic Director (CFO)
		SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of SAFS
		Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA to maximise the use of sharing data with others to help prevent/identify fraud.	Borough Solicitor / Data Protection Officer
		SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession.	Head of SAFS
PURSUE	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.	All fraud reported to the Council will be via SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members.	Head of SAFS
		All investigations will comply with relevant legislation and Council Policies. Investigations will include civil, criminal and disciplinary disposals	Head of SAFS
		SAFS will use its case management system to record and report on all fraud referred, investigated and identified.	Head of SAFS
		The Shared Legal Service, HR and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies.	Head of SAFS /Borough Solicitor/ Strategic Director (CFO)
		SAFS and the Councils Shared R&B Service will continue to work with DWP to deliver joint investigations where fraud affects both HB and CTRS	Head of SAFS/ Head of Revenues & Benefits shared service
		SAFS will use its in-house expertise as well as external partners when considering the use of POCA, Surveillance or IT Forensics.	Head of SAFS
PROTECT	Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of SAFS
		SAFS will review and share fraud trends and new threats	Head of SAFS
		Reports for Audit Committee on all Counter Fraud activity at the Council	Head of SAFS / Head of Revenues & Benefits shared service
		The Council has in place other measure to protect itself against cyber crime, malware and other potential attacks aimed at its IT infrastructure with training for staff and members	Head of IT Security
		SAFS will work with bodies including CO/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	Head of SAFS

SAFS KPIs - 2022/ 2023

KPI	Measure	Target 2022/23	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council + Management of Tenancy Fraud Officer (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee in year. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 24 hours from receipt. B. All other cases 2 working days on Average. C. Sharing of Fraud Alerts- within 2 working days. D. Dissemination of non-SBC referrals to 3 rd parties within 2 working days (Police/HMRC/DWP/NCSC)	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD for Council staff. B. Membership of CIPFA Counter Fraud Centre (via HCC) C. Access to CIFAS best practice/guidance/fraud alerts (via HCC) D. NAFN Access/Training for relevant Council Staff. E. 5 Training events for staff/Members in year. F. Money Laundering Reporting Officer role. G. Support for Covid grant schemes and other local/national responses to the pandemic.	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. C. All 'sanctions' imposed in line with Council policies/ legislation. D. 100% review of all RTB applications to prevent fraud/ML	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2022/23 upload and output/reports across services. B. Consider other areas where the better use of data will benefit the Council financially. C. Develop and extend the use/capacity of the Herts-FraudHub for SBC.	Further develop a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.



SAFS

Shared Anti-Fraud Service
Fighting Fraud in Partnership

Annual Report 2022/2023



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Introduction

2022/2023 was an interesting year for the Shared Anti-Fraud Service, with the pandemic still hanging over us, changed ways of working, a pay review by our host authority and the culmination of a number of cases and projects that had been delayed due to Covid.

In June 2022, our largest ever prosecution was concluded with guilty pleas from all three subjects, who had conspired together to defraud a SAFS Partner of more than £700k over a period of 12 years. In fact, the true value of this fraud likely exceeded £1m. The case had commenced in 2018 and was delayed by the defendants varied attempts to frustrate the investigation and court proceedings. This case included:

- Specialist reports, police searches, seizure and forensic analysis of electronic devices and mobile phones, arrest warrants.
- Actions to bring the accused back to the UK to stand trial, POCA and restraint orders.
- More than 50 witnesses and tens of thousands of pages of evidence and material.

After four long years, guilty pleas were entered on the eve of trial by all three defendants. According to HHJ Foster, this is one of the biggest cases of its kind seen in the UK and this was reflected in lengthy prison sentences for those involved, and national press interest for several months after.

This was only one case of many investigated in 2022/23 and, although one of the largest, certainly not the most serious, nor the most complex matter dealt with by SAFS officers. The continued success of the SAFS team is reliant on the support of our numerous partners, who are too numerous to name here, and the professionalism and dedication of all involved.

With SAFS being a partnership, it's no surprise that collaboration is at the centre of everything we do. In 2022/23, we enhanced our work with the Cabinet Office to develop the Herts-FraudHub. We continued to manage the county-wide Council Tax Review Framework, not just for SAFS Partners but for all district councils across Hertfordshire. We worked in partnership with:

- DWP to investigate fraud linked to national benefits.
- Housing providers to investigate tenancy fraud.
- Third party providers of specialist investigation tools or analytics to help identify fraud or improve the quality of our investigations.
- Front line staff working in our partners who provide their time and invaluable knowledge.

We continued our work to introduce and embed Fraud Risk Assessments into our Partners and 2022/23 this included fraud surveys across schools and a fraud risk assessment for the Homes for Ukraine Scheme.

Throughout all of this our staff continued to deliver excellence at all levels:

- Whether part of our award winning 'Schools and Mules' campaign in September 2022 delivering money laundering awareness to thousands of students across the County.
- The work of our Accredited Financial Investigator in recovering hundreds of thousands of pounds lost to fraud.
- High quality fraud awareness training to more than 7,000 staff across all Partners through our E-learning programme.

The quality of our work and our staff was recognised in early 2022 when SAFS was a finalist at the **Public Finance Awards**, and then again in February 2023 when SAFS won the award for '**Local Excellence**' at the **Public Sector Counter Fraud Awards** hosted by the Cabinet Office.

Nick Jennings - Head of Shared Anti Fraud Service 2023



Level of Delivery



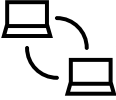



Despite facing resourcing challenges during the year, the Service achieved or exceeded the majority of its KPIs in 2022/2023.

Objectives

Achievements

Agree and ensure the delivery of each Partner Anti-Fraud Action Plan for 2022/2023	1	All Partners had plans approved by Audit Committees Partners all received regular reports via Board Members
£5M Saving (Including all Loss/ Saving & new revenue identified)	2	£1.2m in Fraud losses £1.3m in savings/prevention £1.9m new revenue <i>(£2.6m Estimated loss on live cases)</i>
Ensure that SAFS reporting options are available to all partners 95% of the time (Hotline/Online Reporting & SAFS Webpage links)	3	All reporting routes into SAFS were available 24/7 throughout the year
2 Days response time for all referrals	4	Average response time was 0.6 days
A. 60% positive outcomes B. 36 properties recovered C. 60 sanction outcomes	5	A. 63% achieved B. 31 Properties recovered C. 63 cases resulted in a sanction being applied
• Develop NFI/Fraudhub for all Partners • Maintain the new Council Tax Review Framework Contract	6	• Fraudhub Contracts agreed • NFI 2021/2022 data uploaded and working on matches • Contracts in place for the Council Tax Review Framework

Special Projects 2022/23

Anti Money Laundering Training		SAFS designed a training plan for all Partners and have rolled out the training for appropriate officers
NFI National Exercise		SAFS ensured that all data was uploaded for the exercise meeting the specifications required. A programme of work is in place to clear all matches received
Fraudhub		All Partners are signed up to Fraudhub and a schedule has been created for uploading and clearing output
CMS Retender		A new provider has been chosen and contracts agreed. Training has been provided and an exit plan provided to migrate the data
Internal Training Plan		SAFS has a rolling training plan for the team to ensure knowledge and skills are reviewed. SAFS staff can access the Government Counter Fraud Profession.
Partner Training Plan		Training plan agreed with local HR teams delivered via eLearning updates, classroom-based training, as well as workshops, webinars and awareness factsheets.

Watford Observer

Watford woman taken to court over using mum's disabled badge

Outcomes & Added Benefits



1643 Allegations of Fraud received



185 Right to Buy Applications Reviewed to comply with Anti-Money Laundering



£2.3M caseload for our Financial Investigator



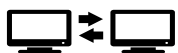
Fraudster convicted for illegally sub-letting housing association property

Luton Today | The Luton News Herald & Post

Luton fraudster caught out sub letting his council flat and fined almost £8,000



48,000 National Fraud Initiative matches received



129 Referrals shared with other agencies



£1.9m Raised in council tax through our county wide framework

Royston Crow

A Royston man has been convicted of fraud by false representation after submitting a fake claim for damages to Herts County Council

75% of HCC staff completed Anti-Fraud and Corruption E-Learning



105 council tax reviews carried out



MailOnline

Fraudster family who once appeared on This Morning faked illness to scam council out of £734,000 over 12 years - in what is believed to be one of the largest frauds ever committed against a local authority

SAFS Board Members (2022/2023)

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

Steven Pilsworth Chris Wood	Hertfordshire County Council Hertfordshire County Council	Director of Finance Head of Assurance Services
Matthew Bunyon	Hertsmere Borough Council	Head of Finance and Business Services
Ian Couper	North Hertfordshire District Council	Service Director: Resources
Sarah Marsh	Borough of Broxbourne Council	Head of Internal Audit
Steven Linnett	East Hertfordshire Council	Head of Strategic Finance and Property
Clare Fletcher Brian Moldon (Deputy)	Stevenage Borough Council Stevenage Borough Council	Strategic Director Assistant Director of Finance
Dev Gopal Kanchan Vasisht (Deputy)	Luton Borough Council Luton Borough Council	Service Director, Finance & Audit Audit Manager
Georgie Barnard	Non Executive Board Member	

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Stevenage Borough Council

Audit Committee

September 2023

Anti-Fraud Progress Report 2023/2024

Purpose

1. This early report provides details of the work undertaken by the Shared Anti-Fraud Service (SAFS) and Council Officers to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2023/24.
2. Further reports will be provided to this Committee in 2023/24 with detailed progress with delivery of the agreed Plan and SAFS KPI performance.

Recommendations

3. **Members are RECOMMENDED to:**

- a) **Note the progress by officers and the Shared Anti-Fraud Service to deliver the 2023/2024 Anti-Fraud Plan for the Council.**

Delivery of the Anti-Fraud Plan

2023/24 Plan

4. The 2023/2024 Anti-Fraud Plan was approved by this Committee at its March 2023 meeting. This Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Locally Strategy for the 2020s*. The Plan also provides assurance that the council continues to benefit from a positive return on its investment in the SAFS Partnership. See **Appendix 1** for details of the Plan.

Counter Fraud Activity & Reported Fraud

2023/2024 Anti-Fraud Activity

5. The Council has in place an Anti-Fraud, Bribery & Corruption policy and an Anti-Money Laundering Policy. A review of all policies will take place in 2023/24 to ensure compliance with current best practice and any changes required by legislation, which may include the 'Economic Crime and Corporate Transparency Bill' and the 'Police, Crime, Sentencing and Courts Act 2022'.
6. A training plan to build on staff awareness and fraud reporting, along with a publicity campaign to inform the public and encourage fraud reporting, is being developed with officers in HR and Comms teams. SAFS have met with HR leads at the Council to arrange this and consider options to review/replace the current E-learning system in place for officers as well as face to face training for those staff without access to the intranet.
7. At the request of the Corporate Governance Group SAFS are developing improved internal and external communication plans to 'reintroduce' the SAFS service and its role at the Council with the post pandemic working arrangements.
8. SAFS have already issued a number of alerts to officers this year including matters on mandate/payment frauds, payroll frauds and others. These are shared with SAFS Board members to cascade but also with the service areas most likely to be

affected. The Councils **Strategic Director (CFO)** acts as the SAFS Board representative for Stevenage Council.

9. Between April and July 2023 a further 41 allegations of fraud were received by the Council/SAFS, there have been some delays with cases being reported to SAFS by officers and we are working to alleviate this issue. 41 cases are live and under investigation with an estimated combined fraud loss of £375k.
10. A number of investigations have been closed already with two cases identify fraud losses of £29k. Low level compliance work has resolved 6 alleged council tax frauds raising around £6k in new council tax revenue. Several cases of alleged tenancy fraud are waiting for properties to be recovered through court action, or surrendered by tenants. Two cases of tenancy fraud have been passed to prosecutors to decide on charging.
11. SAFS officers along with colleagues across the Council continue to resolve the output from the NFI 22/23 exercise. To date of 350 matches, more than 27% have been cleared. In addition the Council is taking part in the Herts FraudHub with data now being submitted to the FraudHub, along with the other 7 partners in the SAFS Partnership and we have started reviewing the output from this work in Qtr 2.
12. We are taking part in a pilot project with the Cabinet Office and the London Boroughs Fraud Investigators Group (LBFIG) to utilise the FraudHub structure to identify 'polygamous workers'- essentially employees or agency workers who work for multiple employers at the same time. If these incidents or multiple placements are not disclosed/managed they can create a variety of fraud risks.
13. SAFS manages the 'Council Tax Review' framework for all borough/district councils enabling them to identify fraudulent applications for council tax discounts. The new contract has delivered by SAFS working with all district/boroughs and is now live and the Council is signed up to take part in 2023/24 with both Empty Homes and Single Person Discount Reviews.
14. SAFS KPIs were agreed with senior officers for 2023/24 and progress against these is show below. Under KPI-2A we are aware that time recording from our new case management system (CMS) has not been working fully and SAFS staff have not been recording all time spent on work for the Council. We have addressed this and we will see an improvement from QTR 2 onwards. Under KPI-3 we identified an issue with our CMS which we are working on at present with the provider.

KPI	Objectives	Progress
1	<p>Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.</p> <p>A. Meetings to take place with the Councils Assistant Director of Finance (Deputy 151 Officer)</p> <p>B. Strategic Director (CFO) OR Assistant Director of Finance (Deputy 151 Officer) part of the SAFS Board.</p> <p>A. Regular meetings to take place with Service Leads to agree and update local work plans.</p> <p>B. Reports on progress with any area of work covered by the SAFS Partnership Agreement.</p>	<p>A. SAFS Mgt have meetings planned throughout the year with the Councils Senior Mgt</p> <p>B. CF/BM invited to attend all SAFS Board meetings in 23/24</p> <p>C. Meetings with R&B and Hsing Mgt in place on regular basis. Meetings between NJ and BM/RG in place as well as with HR and Comms teams.</p> <p>D. This report, and others are available upon request. Reports to AC to be published. CF/BM will receive reports to SAFS Board.</p>
2	<p>A. 450 Days of counter fraud activity including proactive and reactive investigation work, data-analytics, training and fraud risk management (Supported by SAFS Intel/Management).</p> <p>B. Three Reports to Audit Committee.</p> <p>C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.</p>	<p>A. 75 days in Qtr 1. – 17%. Issues in Qtr with new CMS and staff understanding of what time can be recorded.</p> <p>B. AC Dates are booked in for Sep /Nov/Mar.</p> <p>C. SAFS Mgt attend CGG & JAG meetings and local team/Service meetings.</p>
3	<p>A. All urgent/ high risk cases will be responded to within 24 hours.</p> <p>B. All other cases 2 Days, on Average.</p>	<p>A. CMS unable to record at present.</p> <p>B. Currently 1 days on average.</p>
4	<p>A. Membership of NAFN & PNLD</p> <p>B. Membership of CIPFA Counter Fraud Centre and access to CIFAS/NCSC/AF/FFCL alerts, trends, best practice</p> <p>C. NAFN Access/Training for relevant Council Staff</p> <p>D. 5 Training events for staff/Members in year. (To be agreed with Service leads and HR)</p>	<p>A. SAFS has membership of PNLD which has been offered to SBC Legal. NAFN membership via SAFS 23/24.</p> <p>B. SAFS/HCC member of CIPFA and CIFAS.</p> <p>C. NAFN service awareness is being shared across Council service areas.</p> <p>D. SAFS liaising with HR to arrange training programme for 23/24.</p>
5	<p>A. All reported fraud (referrals) will be logged and reported to officers by type & source.</p> <p>B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers.</p> <p>C. SAFS will work with social providers across the Borough.</p>	<p>A. Fraud reporting options available for staff and residents on the SBC webpage and intranet- This is linked to SAFS reporting tools. Further Comms on this to be developed internally and externally.</p> <p>B. All cases are recorded on SAFS CMS</p> <p>C. Contracts in place with Clarion/Peabody/B3Living.</p>
6	<p>A. Support the output from NFI 2022/23 Council services.</p> <p>B. Membership and VFM from the Herts FraudHub in 2023/24.</p>	<p>A. Access to NFI data and relevant systems arranged for SAFS officers. Output and matches reviewed will be reported to the senior officers. Progressing well.</p> <p>B. Contracts with C/O signed. Data-upload schedules are now agreed and data is being shared. Output to be managed and reported</p>

Appendices

15. The following appendices are attached to this report:

Appendix 1 - SAFS/Stevenage Borough Council *Anti-Fraud Plan 2023/24*

Further Reading

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

- (a) ***Councillors Workbook on Bribery & Fraud Prevention*** (LGA 2017)
- (b) ***Fighting Fraud and Corruption Locally- A Strategy for the 2020's*** (CIPFA/CIFAS/LGA 2020)
- (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) ***Code of Practice – Managing the Risk of Fraud and Corruption*** (CIPFA 2014)
- (f) ***Government Counter Fraud Standards*** (Cabinet Office 2021)
- (g) ***Fraud Risk Management Guide***. (Committee of Sponsoring Organisations/ Association of Fraud Examiners 2023),
- (h) ***Lost Homes, Lost Hope***. (Fraud Advisory Panel & Tenancy Fraud Forum 2023)

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APPENDIX 1

Stevenage Borough Council Anti-Fraud Plan 2023-2024

In partnership with

The Hertfordshire Shared Anti-Fraud Service



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SAFS KPIs 2023-2024	B.

Introduction

This plan supports the Councils **Anti-Fraud and Corruption Policy** 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 Councils published Anti-Fraud and Corruption Policy states;

The Council is committed to the prevention and detection of fraud and corruption, whether from within or outside the organisation and the aims of this document are to:

Be clear that the Council will not tolerate fraudulent or corrupt acts and will take firm action against those who defraud the authority, who are corrupt or engage in financial malpractice.

Provide a consistent framework for managers and Members, which enables effective deterrence, prevention, detection and investigation of fraud and corruption.

Detail the responsibilities of employees, management and Members with regard to fraud and corruption.

Assist the relevant Strategic Directors in fulfilment of their roles as the Council's S151 Officer and as the Council's Monitoring Officer.

Explain the role of Council officers in relation to the prevention of fraud and actively promote a culture of openness and honesty in all its dealings and has adopted Codes of Conduct for Members and officers.

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), Public Sector Fraud Authority (PSFA) 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 DLUHC indicating 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.

In 2022 the Public Sector Fraud Authority (Cabinet Office) published a report stating that in 2021/22 the public sector had experienced more than 5 million acts of fraud, that more than £33bn in public money was lost to fraud each year and that fraud against the Covid-19 Financial Support packages alone had cost £19bn.

The *Fighting Fraud and Corruption Locally, A Strategy for the 2020's*, published in March 2020 and supported by CIPFA, the LGA, SOLCACE and External Auditors provides a framework for the Council to adopt in developing its counter fraud activity and this Anti-Fraud Plan follows the guidance and recommendations of the *Strategy*. A copy of the *Strategy* can be found at <https://www.cipfa.org/services/cipfa-solutions/fraud-and-corruption/fighting-fraud-and-corruption-locally>

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 including the four ‘Pillars’ of **Govern Acknowledge, Prevent, Pursue** with an overarching aim of **Protect**:

For the Council this includes protecting public funds it administers and protecting the Council and its residents against fraud and cybercrime.



Anti-Fraud Plan 2023-2024

The Councils Anti-Fraud Plan will be managed by the Hertfordshire 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 and 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 for 2023-2024 follows the guidelines and checklists contained in the *Fighting Fraud and Corruption Locally Strategy* and progress against this will be reported to senior management and the Councils Audit Committee. A break-down of work included in the Plan can be found at **Appendix A** and the officers with responsibility for ensuring the plan is delivered is included as well.

SAFS Resources 2023-2024

Anti-Fraud Arrangements

Stevenage Borough Council is a founding member 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. The SAFS Partnership, as well as Stevenage Borough Council, includes Broxbourne Borough Council, Hertsmeire Borough Council, Hertfordshire County Council, Luton Borough Council, North Herts Council, East Herts Council and from April 2023 Welwyn and Hatfield Council. The SAFS also provides services to other public sector bodies across Hertfordshire.

The SAFS Team is made up of 21.5 full time equivalent staff in 2023/24. All staff are fully trained and accredited (or working towards this) specialising in fraud prevention, fraud investigation, fraud awareness, fraud risk assessment as well as proceeds of crime, anti-bribery and anti-money laundering.

Since 2019 the SAFS Team has been nominated for and/or won awards for the services it provides including the ***Tackling Economic Crime Awards*** (TECAS), the ***Institute of Revenue Rating and Valuation Awards*** (IRRV), the ***Public Finance Awards*** (PFA), and most recently in February 2023 the ***Public Sector Counter Fraud Awards***.

SAFS is a Partnership with each organisation paying an annual fee for Hertfordshire County Council for a contracted service for 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 Strategic Director (CFO) is the Board representative and the Assistant Director of Finance acts her deputy.

Although SAFS will provide much of the Councils 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 2022 the SAFS Board agreed fees for all Partners from April 2023. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for at least the next three years.

Fees for Stevenage Borough Council for 2023-2024 have been agreed at £164,231+ VAT.

Staffing

The full complement for SAFS in 2023-2024 is planned to be 21.5 FTE.

The Council will have access to 450 days of counter fraud work, 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 available to assist in money laundering or proceeds of crime investigations.

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

SAFS will 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), Fraud Advisory Panel (FAP) and the National Anti-Fraud Network (NAFN).

Workplans & Projects 2023-2024

As well as an agreed programme of work (see **Appendix A**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

Service Area	Agreed Projects
Cross Cutting Corporate Initiatives	<p>General Support. Three Reports to Audit and Governance Committee. SAFS attendance at Corporate Governance Groups and management meetings. Assisting with the review of the Councils existing anti-fraud policies. Money Laundering Reporting Officer (MLRO) role Assist with NFI Output and FraudHub. Assisting with Payroll fraud matters including disciplinary investigations. Identify new fraud risks and fraud alerts.</p> <p>Training. Ten fraud training/awareness events for staff/members in year delivered face to face/virtually/hybrid. Review and re-release of SAFS I-Learn training package on fraud/bribery/money laundering – accessible via the Councils intranet. Roll out of NAFN training and registration for appropriate services/officers.</p> <p>Procurement. Work with internal procurement service developing a bespoke risk assessment for fraud in procurement/contract.</p>
Revenues and Benefits	<p>This work will be arranged with the Shared Revenue and Benefit Service hosted by East Herts Council. Proactive training and awareness for management and front-line staff. Reactive investigations for housing benefit, council tax support/discount and business rate fraud. Support for single person discount review utilising 3rd party framework. Identify systems/processes/new developments to assist in recovery of debt created by fraud. Use of data-analytics to identify fraud/evasion of business rate liability and collection. Joint working with DWP where council tax support and other ‘national’ benefits are in payment.</p>
Housing Services	<p>This work will be arranged with the Councils housing services and in partnership with Clarion Housing Group, Catalyst Housing (now part of Peabody), B3Living and other housing providers with stock within the Councils area. Proactive training and awareness for senior leadership and front-line staff. Reactive investigations for Housing Application, Tenancy fraud and support for RTB process. Targets include:</p> <ul style="list-style-type: none"> • 12 social homes secured from sub-letting, or other unlawful tenancy breaches, or acts of fraud against the housing application/homelessness process. • Programme of work to support the Councils plans to improve the use of Tenancy Audits, through improved use of intelligence/data analytics and the sharing of fraud trends around misuse of social housing. • 100% review of RTB & Succession applications. <p>Review housing register to identify fraud risks and, where appropriate, investigate these.</p>

SAFS KPIs & Standards of Service.

SAFS will work to a set of KPIs agreed with senior officers and these targets will assist in delivering the Councils Anti-Fraud Plan. The KPI's can be found at **Appendix B** and 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 via email/phone/weblinks.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Money Laundering.
4. A Money Laundering Reporting Officer service as laid out in the relevant Council policies.
5. Assistance in the design/review of Council policies, processes, and documents to deter/prevent fraud.
6. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
7. 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 datasets (and frequency) of the upload of these.
 - SAFS will work with Council officers to determine the most appropriate data-matching.
8. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
9. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and relevant Council policies.
10. 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 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each 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 decide on any further sanctions/prosecutions.
11. 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.
12. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
13. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
14. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

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

Appendix A.

SBC / SAFS Action Plan 2023/2024			
FFCL Pillars	Objectives	Activities	Responsible Officer
Governance	Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation.	Ensure the Councils Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption are reviewed against latest best practice. Review and update the Councils Money Laundering/ Bribery/ Cyber-Crime Policies	Chief Executive / Borough Solicitor / Strategic Director (CFO)
		The Councils Audit and Governance Committee will receive reports during the year about the arrangements in place to protect the Council against fraud and the effectiveness of these.	Strategic Director (CFO) /Head of SAFS
		Audit and Governance Committee and its Chairman, along with the senior management team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements including that published by CIPFA, NAO and LGA.	AC Chairman/ Strategic Director (CFO) / Borough Solicitor
		System/process weaknesses or risks revealed by instances of actual fraud will be fed back to departments/services with recommendations to manage/mitigate these risks. Reports will be shared with senior managers or Internal Audit to review outcomes and management response to recommendation.	Head of SAFS/ Head of SIAS
		SAFS will assist the Council in providing its Fraud Data for the Transparency Code each year	Head of SAFS
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Strategic Director (CFO) / Head of Human Resources
ACKNOWLEDGE	Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with	Inclusion of Fraud Risks and actions to manage/mitigate/reduce this in its Annual Governance Statement.	Risk Manager / Strategic Director (CFO)
		The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness	Head of SAFS/ Communications & Marketing Mgr
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and implement E-Learning modules available for staff that is mandatory.	Head of HR / Head of SAFS
		The Council is a member of the Hertfordshire Shared Anti-Fraud Service (SAFS). The Strategic Director (CFO) or the Assistant Director of Finance will ensure that the services provided by SAFS are appropriate and provide an effective ROI in both savings delivered and added value.	Strategic Director (CFO) / Assistant Director of Finance
		Audits conducted by the Shared Internal Audit Service will take account of known or emerging fraud risks when audit activity is being planned. SIAS will also report any suspected fraud to senior management and SAFS to review.	Head of SIAS
		All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Counter-Fraud Profession.	Head of SAFS
PREVENT	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its' activity and successes.	SAFS will provide fraud alerts and new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts FraudHub and support Council officers with the output from NFI 2022/2023 Exercise	Head of SAFS/ Assistant Director of Finance
		The Council, and SAFS, will seek to work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ Assistant Director of Finance
		The SAFS Mgt will provide reports to the SAFS Board quarterly on anti-fraud activity across the Partnership and any learning to be shared with all Partners	Head of SAFS
		The Council will review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA to maximise the use of sharing data with others to help prevent/identify fraud.	Borough Solicitor
PURSUE	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical	SAFS will work with the LGA and Cabinet Office to support the work of the Public Sector Fraud Authority.	Head of SAFS
		All fraud reported to the Council will be via SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members. SAFS will work with officers to promote the reporting of suspected fraud by officers and the public.	Head of SAFS
		All investigations will comply with relevant legislation and Council Policies. Investigations will include civil, criminal and disciplinary disposals	Head of SAFS
		SAFS will use its case management system to record and report on all fraud referred, investigated and identified.	Head of SAFS
		Legal Service and HR and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies.	Borough Solicitor/ Head of HR/ Assistant Director of Finance
		SAFS and the Councils R&B Service will work with DWP to deliver joint investigations where fraud affects both HB and CTRS	Head of SAFS/ Head of R&B Shared Service
PROTECT	Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.	SAFS will use its in-house expertise as well as external partners when considering the use of POCA, Surveillance or IT Forensics.	Head of SAFS
		SAFS will provide reports and data to Fraud Champions on all anti-fraud activity as required by Council officers.	Head of SAFS
		Reports for Audit Committee on all Counter Fraud activity (Incl HB OP and recovery) at the Council 3 times in 2023-2024	Head of SAFS / Strategic Director (CFO)
		The Council has in place measures to protect itself against cyber crime, malware and other potential attacks aimed at its IT infrastructure, with training for staff and elected members	Asst Director Chief Technology Officer
		SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	Head of SAFS

Appendix B.

SAFS KPIs - 2023/ 2024 (SBC)

KPI	Measure	Objectives	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Meetings to take place with the Assistant Director of Finance, quarterly. B. Strategic Director (CFO) or deputy will attend SAFS Board meetings quarterly. C. Regular meetings to take place with Directors/Service Leads to agree and update local work plans. D. Reports on progress with any area of work covered by the SAFS Partnership Agreement will be provided on request.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 450 Days of counter fraud activity including proactive and reactive investigation work, data-analytics, training and fraud risk management (Supported by SAFS Intel/Management). B. 3 Reports to Audit Committee. C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 1 Day. B. All other cases 2 Days on Average.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre and access to CIFAS/NCSC/AF/FFCL alerts/trends/best practice C. NAFN Access/Training for relevant Council Staff D. 10 Training events for staff/Members in year. (To be agreed with Directors/Service leads and HR)	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to officers by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers. C. 12 Social homes secured from unlawful use or sub-letting. D. 100% Review of all Right to Buy and 'Succession' applications.	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Support the output from NFI 2022/23 across all Council services. B. Membership of the Herts FraudHub in 2023/24.	Develop a 'data-hub' that will allow the Council to access and share data to assist in the prevention/detection of fraud.

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Stevenage Borough Council Audit Committee

6 September 2023
Shared Internal Audit Service –
Progress Report

Recommendations

Members are recommended to:

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

Contents

1 Introduction and Background

1.1 Purpose

1.2 Background

2 Audit Plan Update

2.1 Delivery of 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 2023/24 Internal Audit Plan

B Implementation Status of Critical and High Priority Recommendations

C Internal Audit Plan Items (April 2023 to March 2024) - Indicative start dates agreed with management

D Assurance Definitions / Priority Levels

1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2023/24 Internal Audit Plan to 18 August 2023.
 - b) The findings for the period 1 April 2023 to 18 August 2023.
 - c) Details of any changes required to the approved Internal Audit Plan.
 - d) The implementation status of previously agreed audit recommendations.
 - e) An update on performance management information to 18 August 2023.

Background

- 1.2 Internal Audit's Annual Plan for 2023/24 was approved by the Audit Committee at its meeting on 27 March 2023. The Audit Committee receive periodic updates against the Internal Audit Plan. This is the first update report for 2023/24.
- 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 18 August 2023, 14% of the 2023/24 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 1 April 2023:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Housebuilding & Acquisitions (2022/23)	May 2023	Substantial	One Low Priority
Debtors (2022/23)	June 2023	Reasonable	One High, One Medium, One Low Priority

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 2023/24 approved projects to 18 August 2023. Appendix A provides a status update on each individual project within the 2023/24 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	2	7%
Draft Report Issued	0	0%
In Fieldwork/Quality Review	2	7%
In Planning/Terms of Reference Issued	7	25%
Allocated	7	25%
Not Yet Allocated	10	36%
Cancelled/Deferred	0	0%
Total	28	100%

Internal Audit Plan Changes

- 2.4 There has not been any Internal Audit Plan changes during the year to date.

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 debt recovery reminder and payment arrangements.

Performance Management

- 2.7 The 2023/24 annual performance indicators were approved at the SIAS Board meeting in March 2023.
- 2.8 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table overleaf:

Performance Indicator	Performance Target for 31 March 2024	Profiled Performance 18 Aug 2023	Actual Performance 18 Aug 2023	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	18%	14%	40.5 days delivered out of the current 290 days planned
2. Planned Projects * – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2024	90%	14%	7%	2 projects to draft or final report from the 28 planned
3. Planned Projects – percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report	100%	N/a	7%	New Indicator – first measurement will be May 2024 (Currently 2/28 delivered to final report)
4. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%	Based on the results of the 1 completed questionnaire received (from the 2 issued)
5. Number of High and Critical Priority Audit Recommendations agreed as a percentage	95%	95%	100%	One High Priority recommendation made and agreed

* Based on Audit Plan 'deliverables' at draft, final and audit closed stage and items carried forward from 2022/23 that were not at draft report stage by 31 March 2023.

2.9 In addition, the performance targets listed below are annual in nature. Members will be updated on the performance against these targets within a separate Annual Report:

- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year. This indicator was achieved for 2023/24 as the audit plan for the financial year 2023/24 was presented to the Committee in March 2023.

- **7. Chief Audit Executive's Annual Report** – presented at the June meeting of the Audit Committee. This indicator was achieved for 2023/24 as the Client Audit Manager's Annual Report (for 2022/23) was presented to the June 2023 meeting of this committee.

Summary of Performance Against KPI's

- 2.10 In respect of current performance against key performance indicators, SIAS are broadly on track with profiled targets for both delivery of planned days and projects. As the Committee will be aware, during 2022/23 SIAS had several vacant posts, with these reaching six vacancies at the end of the financial year. This resulted in SIAS using additional resources from external partners to deliver the planned work for quarter four and allowed us to complete the programmes of work for all SIAS Partners.
- 2.11 We are pleased to report that significant progress has been made in filling the vacancies. A new Assistant Client Audit Manager started in June and three Trainee Auditors started in August. Combined with the ability to use our external co-sourced partner, we are currently satisfied that sufficient internal resources are available to deliver the Stevenage Borough Council Internal Audit Plan for 2023/24.

APPENDIX A - PROGRESS AGAINST THE 2023/24 INTERNAL AUDIT PLAN

2023/24 Internal Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 57 days									
Business Rates (shared with EHC)						57	No	0.5	Not Yet Allocated
Council Tax (shared with EHC)							No		Not Yet Allocated
Housing Benefits (shared with EHC)							No		Not Yet Allocated
Treasury Management (assurance mapping refresh)							No		Not Yet Allocated
Debtors (assurance mapping)							No		Not Yet Allocated
Creditors (assurance mapping refresh)							No		Not Yet Allocated
Payroll & Expenses							Yes		In Planning
Housing Rents							No		Not Yet Allocated
Cash & Banking (assurance mapping refresh)							No		Not Yet Allocated
Operational Audits – 108 days									
Housing Regulator Reporting						12	Yes	0	Allocated
Community Grants & Funding						12	Yes	3	In Fieldwork
Communities External Commissions						10	Yes	0	Allocated
Land Charges						10	Yes	0.5	In Planning
S106 Spend Arrangements						10	Yes	1	In Planning
Court Cost Tracking						10	Yes	2.5	In Planning
Leaseholder Liability & Billing						12	Yes	0.5	In Planning
Homeless B & B						10	Yes	0	Allocated
Wholly Owned Company (Decision Making)						12	Yes	0	Allocated
Leisure Contract Management						10	Yes	0	Allocated
Corporate Services/Themes – 54 days									
Tender Process						12	Yes	2.5	In Planning

APPENDIX A - PROGRESS AGAINST THE 2023/24 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Risk Management Assurance Mapping						10	No	0	Not Yet Allocated
Corporate Governance Assurance Mapping						10	No	0	Not Yet Allocated
Performance Indicators						10	Yes	6.5	In Fieldwork
Sickness Absence Management						12	Yes	0	Allocated
IT Audits – 12 days									
Mobile Phone Security (shared with EHC)						6	Yes	0	Allocated
IT Project Management (shared with EHC)						6	Yes	1	In Planning
Completion of 2022/23 Projects – 7 days									
Debtors	Reasonable	0	1	1	1	4	Yes	2	Final Report Issued
Housebuilding & Acquisitions	Substantial	0	0	0	1	3	Yes	1.5	Final Report Issued
Contingency – 10 days									
Contingency						10	N/A	0	Through Year
Strategic Support – 52 days									
On Demand Grant Audits						5	Yes	0	Through Year
Head of Assurance Opinion						3	Yes	3	Complete
Audit Committee & Recommendation Follow Up						10	Yes	2	Through Year
Client Engagement & Adhoc Advice						10	Yes	4	Through Year
2024/25 Audit Planning						5	Yes	0	Allocated
Service Development						5	Yes	5	Through Year
Progress Monitoring						12	Yes	5	Through Year
SAFS Related Matters						2	Yes	0	Allocated
SBC TOTAL		0	1	1	2	300		40.5	
* C = Critical Priority, H = High Priority, M = Medium Priority, LA = Low/Advisory Priority									

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 2023)
1.	Environmental Maintenance (2022/23).	<p><u>Recommendation:</u> <u>Strategy and Policy.</u> Ensure the Council has an up-to-date Environmental Maintenance strategy in place to ensure best practice, and a statutory compliance governance framework aiming to:</p> <ul style="list-style-type: none"> • Ensure environmental maintenance works, street cleansing, fly tipping and graffiti removal, are performed in accordance with all legislative requirements. • Clearly defined roles and responsibilities are coordinated effectively for each activity. • Service standards are outlined. • Industry best practice is promoted. • There is a clear and robust process for full accountability that links to wider plans and strategies. <p><u>Agreed Management Action(s):</u> All agreed as above.</p>	<p>Responsible Officer: Operations Manager Due Date: 30 June 2023.</p>	<p><u>August 2023.</u> The recommendation has been implemented as agreed.</p>	Implemented.
2.	Debtors (2022/23).	<p><u>Recommendation:</u> <u>Debt Recovery – Reminders and Payment Arrangements.</u></p> <ul style="list-style-type: none"> - The Council should introduce regular reporting of all debts at a specific point in time i.e. every month, which should include the recovery actions taken and the current recovery position. Where it is identified that debts are not at the recovery position they should be, or the necessary recovery action has not taken place, this should be investigated and rectified. - The Council should ensure that the Procedure Note for Dealing with Debt Recovery is version controlled to show the date of creation and date of the next review. - The Council should consider discussing with their IT department how to differentiate arrangement payments from outstanding payments on Integra. <p><u>Agreed Management Action(s):</u></p> <ul style="list-style-type: none"> - Currently exploring a technological solution to monitoring debt and progressing recovery. 	<p>Responsible Officer: Debt Manager Due Date: 31 December 2023.</p>	<p><u>August 2023.</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 2023)
		<ul style="list-style-type: none">- Agreed.- This is being considered as part of the Major Integra system upgrade.			

APPENDIX C – INTERNAL AUDIT PLAN 2023/24 – PLANNED AUDIT START DATES

Apr	May	Jun	July	Aug	Sept
Debtors 2022/23 (Final Report)	Performance Indicators (In Fieldwork)	Community Grants & Funding (In Fieldwork) c/f from May	IT Project Management (In Planning)	Leaseholder Liability & Billing (In Planning)	S106 Spend Arrangements (In Planning)
Housebuilding & Acquisitions 2022/23 (Final Report)			Land Charges (In Planning)	Communities External Commissions (Allocated)	Payroll & Expenses (In Planning)
			Court Cost Tracking (In Planning) c/f from June	Homeless Bed & Breakfast (Allocated)	
				Tender Process (In Planning) c/f from July	
Oct	Nov	Dec	Jan	Feb	Mar
Wholly Owned Company Decision Making) (Allocated)	Mobile Device Security (Allocated)	Business Rates	Corporate Governance Assurance Mapping	Risk Management Assurance Mapping	
Housing Rents (Former Tenant Arrears)	Housing Benefits	Housing Regulator Reporting (Allocated)	Sickness Absence Management (Allocated)	Leisure Contract Management	
		Debtors Assurance Mapping	Cash & Banking Assurance Mapping Refresh	Treasury Management Assurance Mapping Refresh	
			Council Tax	Creditors Assurance Mapping Refresh	

APPENDIX D – ASSURANCE / RECOMMENDATION PRIORITY LEVELS

Audit Opinions		
Assurance Level		Definition
Assurance Reviews		
Substantial		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.
Reasonable		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.
Limited		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.
No		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.
Not Assessed		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		
Unqualified		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.
Qualified		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.
Disclaimer Opinion		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.
Adverse Opinion		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	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
Service	Low	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: 6 September 2023 / 20
September 2023 / 18 October
2023



ANNUAL TREASURY MANAGEMENT REVIEW 2022/23 AND PRUDENTIAL INDICATORS

NON-KEY DECISION

Author – Rhona Bellis
Contributor – Belinda White
Lead Officer – Brian Moldon
Contact Officer – Brian Moldon

1 PURPOSE

- 1.1 To review the operation of the 2022/23 Treasury Management and Investment Strategy.

2 RECOMMENDATIONS

2.1 Audit Committee

That, subject to any comments by the Audit Committee to the Executive, the 2022/23 Annual Treasury Management Review be 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 2022/23 Annual Treasury Management Review be recommended to Council for approval.

2.3 Council

That, subject to any comments from the Audit Committee and the Executive, 2022/23 Annual Treasury Management Review be approved.

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 2022/23. 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 2022/23 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 24 February 2022)
- a mid-year treasury update report (Council 14 December 2022)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

3.1.3 In December 2017, CIPFA revised the Code to require, all local authorities to report on:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

These elements are covered in the annual Capital Strategy reported to Council in February each year.

3.1.4 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.

3.1.5 This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

Part I
Release to Press

- 3.1.6 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 Executive Summary

- 3.2.1 During 2022/23, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Table 1

Prudential and treasury indicators	31.3.22 Actual £000	2022/23 Original £000	31.3.23 Actual £000
Capital expenditure			
GF	24,106	30,510	17,814
HRA	36,727	64,666	43,966
Total	60,833	95,176	61,780
Capital Financing Requirement:			
GF	46,366	45,802	49,733
HRA	258,581	277,784	264,585
Total	304,947	323,586	314,318
Gross borrowing	234,820	285,304	235,057
Investments			
• Longer than 1 year	7,300	7,300	2,300
• Under 1 year	61,450	40,435	40,985
• Total	68,750	47,732	43,285
Net borrowing	166,070	237,572	191,772

Other prudential and treasury indicators are to be found in the main body of this report. The Chief Finance Officer also confirms that borrowing (internal and external) was only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached.

- 3.2.2 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the year the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2022/23.
- 3.2.3 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

4 THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING

- 4.1.1 Capital expenditure¹ can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts and capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the Council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash balances held by the Council. The need to borrow is measured and reported through the Prudential Indicators.
- 4.1.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

Table 2

2022/23 Capital Expenditure and Financing			
	31.3.22	2022/23 Working Budget	31.3.23
	£'000	£'000	£'000
General Fund			
Capital Expenditure:	24,106	23,927	17,814
Financed excluding borrowing	(11,743)	(23,927)	(12,928)
Unfinanced capital expenditure (borrowing)	12,363	0	4,886
HRA			
Capital Expenditure:	36,727	42,338	43,966
Financed excluding borrowing	(11,730)	(42,338)	(39,392)
Unfinanced capital expenditure (borrowing)	24,997	0	4,574

4.2 THE COUNCIL'S OVERALL BORROWING NEED

- 4.2.1 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 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.
- 4.2.2 The Council's 2022/23 Minimum Revenue Provision Policy (MRP), as required by DLUHC Guidance, was approved as part of the Treasury Management Strategy Report for 2022/23 on 24 February 2022.

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

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The MRP charged to the General Fund in 2022/23 was £214,609 of which:

- £35,119 is funded from investment property
- £48,787 is funded by the Garage Improvements Programme
- £130,703 is a net cost to the General Fund

4.2.3 The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes finance leases included on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

Prudential Indicator – Capital Financing Requirement
Table 3

CFR (£'000): General Fund	31.3.22 Actual	2022/23 Budget	31.3.23 Actual
Opening balance *	35,516	37,920	46,366
Add: unfinanced capital expenditure (as above)	12,363	8,448	4,886
Less:			
Unfinanced capital expenditure from prior years now financed	(757)		(510)
MRP	(195)	(473)	(215)
Finance lease repayments	(561)	(93)	(239)
Appropriations to / from HRA	0	0	(540)
Other	0	0	(15)
Closing balance	46,366	45,802	49,733

* Includes a £11Million technical adjustment for Queensway LLP and £7Million of Local enterprise Partnership (LEP) loans.

CFR (£'000): HRA	31.3.22 Actual	2022/23 Budget	31.3.23 Actual
Opening balance	233,093	262,144	258,581
Add:			
Unfinanced capital expenditure (as above)	24,997	15,640	4,574
New finance lease	491	0	890
Appropriations to / from GF	0	0	540
Closing balance	258,581	277,784	264,585

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4.2.4 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

4.3 Limits to Borrowing Activity

4.4 Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2022/23. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 4

	31.3.22 Actual £'000	2022/23 Budget £'000	31.3.23 Actual £'000
Gross borrowing position	£234,820	£285,304	£235,057
CFR	£304,947	£323,586	£314,318
(Under) / over funding of CFR	(£70,127)	(£38,282)	(£79,261)

4.5 The **authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2022/23 the Council has maintained gross borrowing within its authorised limit.

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

4.7 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Table 5

Authorised limits	HRA 2022/23 £m	GF 2022/23 £m
Authorised limit	280	82
Maximum gross borrowing position during the year	226	9
Operational boundary	268	67

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Authorised limits	HRA 2022/23 £m	GF 2022/23 £m
Average gross borrowing position	226	9
Financing costs as a % of net revenue stream	17%	6%

4.8 TREASURY MANAGEMENT ACTIVITIES

4.9 TREASURY POSITION AS AT 31 MARCH 2023

4.9.1 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

4.9.2 At the end of 2022/23 the Council's treasury position (excluding finance leases), was as follows:

Table 6

Treasury Position						
	2021/22			2022/23		
	31 March 2022 Principal £'000s	Rate / Return %	Average Life (Yrs)	31 March 2023 Principal £'000s	Rate / Return %	Average Life (Yrs)
PWLB Borrowing	227,750	3.28	13	227,487	3.28	12
Other Borrowing (LEP)	7,070	0	8	7,570	0	7
Total Debt	234,820			235,057		
Capital Financing Requirement	304,947			314,318		
Total Investments	79,930			55,241		
Over/(Under) borrowing	9,803			(24,020)		

The maturity structure of the debt portfolio was as follows:

Table 7

Debt Maturity Structure	31.3.22 Actual £'000	2022/23 original limits £'000	31.3.23 Actual £'000
Within 1 Year	0		0
Over 1 not over 2 years	263		500
Over 2 not over 5 years	15,570		26,026

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Debt Maturity Structure	31.3.22 Actual £'000	2022/23 original limits £'000	31.3.23 Actual £'000
Over 5 not over 10 years	57,656		64,700
Over 10 not over 15 years	99,963		100,663
Over 15 not over 20 years	51,811		37,658
Over 20 not over 30 years	4,557		5,510
Over 30 years	5,000		0
Total Debt	234,820	362,503	235,057

Investment Portfolio	31.3.22 Actual £000	31.3.22 Actual %	31.3.23 Actual £000	31.3.23 Actual %
Treasury investments – all managed in house				
Banks and Building Societies	55,000	80%	26,600	61%
Local authorities	7,300	11%	7,300	17%
Money Market Funds	6,450	9%	9,402	22%
Total treasury investments	68,750	100%	43,302	100%

Non-Treasury investments				
Subsidiaries	11,180	100%	11,939	100%
Total Non-Treasury Investments	11,180	100%	11,939	100%
Treasury investments	68,750	86%	43,302	78%
Non-Treasury investments	11,180	14%	11,939	22%
Total of all Investments	79,930	100%	55,241	100%

The maturity structure of the investment portfolio was as follows:

Table 8

Investment Maturity Structure	31.3.22 Actual £000	31.3.23 Actual £000
Within 1 Year	61,451	41,003
Longer than 1 year	18,479	14,238
Total Investments	79,930	55,241

4.9.3 In addition to the PWLB borrowing, the General Fund also has loans from the Local Enterprise Partnership (LEP) in relation to regeneration activities. Subject to discussion, these loans (£7,570k) are repayable, £500k in 2025 and the balance in 2030.

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4.9.4 The non-treasury loan to the subsidiary is the loan made to Marshgate LTD (WOC), for the purchase and development of housing within the Borough in 2021/22 and 2022/23.

4.9.5 The fall in the treasury investment balances of £25m between 31 March 2022 and 31 March 2023 mainly reflects the use of internal borrowing to fund the capital programme rather than borrowing externally over the two years to 31 March 2023.

4.10 TREASURY MANAGEMENT STRATEGY 2022/23

4.10.1 The Treasury Management Strategy was approved by Council on 24 February 2022.

There are no policy changes to the TMS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4.11 Borrowing

4.11.1 During 2022/23, the Council maintained an under-borrowed position and no new external borrowing was taken during the year. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as interest rates on investments were initially low and this also minimised counterparty risk.

4.11.2 The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt. The Council has taken some limited borrowing in 2023/24 to ensure the Council's cashflow position is resilient and to ensure that if interest rates increase, large amounts of borrowing required are not all taken at higher rates.

4.11.3 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation has fallen back to 6.8% by July 2023 in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

4.11.4 The PWLB certainty rate is gilts plus 80bps. During the year, gilt yields rose from the start of 2021, peaking in the autumn of 2022.

4.11.5 There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rates first rise to dampen inflationary

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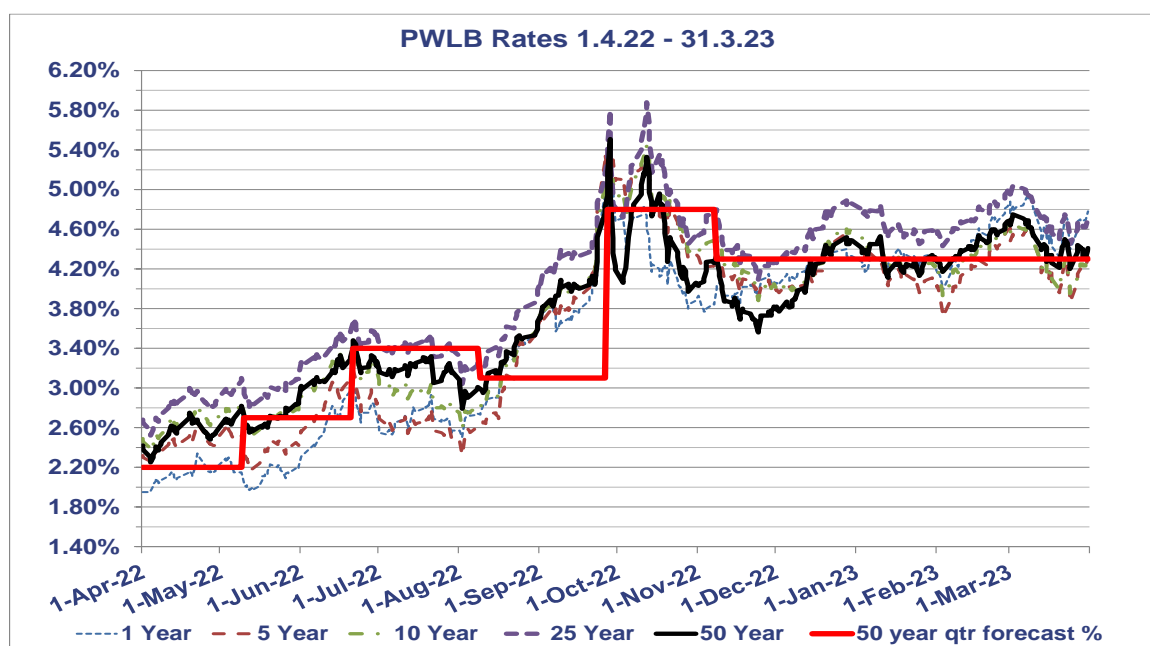
pressures and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to the Bank of England's 2% target.

4.11.6 As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

4.11.7 The Bank of England is also embarking on a process of Quantitative Tightening. The gradual reduction of the Bank's original £895Billion stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

4.11.8 The Chart below shows the volatility of the PWLB borrowing rates from 1 April 2022 to 31 March 2023.

PWLB RATES 2022/23
Chart 1



4.12 BORROWING OUTTURN

4.12.1 No new borrowing was undertaken during the year

4.12.2 Interest paid on PWLB borrowing during the year was £ 7,339,321 – Housing Revenue Account (HRA) and £44,188 - General Fund (GF)

4.13 ANNUAL INVESTMENT STRATEGY

4.13.1 The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 24 February 2022. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite

4.13.2 There were no breaches to this policy in the year to 31 March 2023 with the investment activity conforming to the approved strategy. The Council had no liquidity difficulties and no funds have been placed with the Debt Management Office (DMO), demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively. It is possible that surplus funds that may be borrowed during 2022/23 will be placed in the DMO temporarily, if PWLB borrowing rates are advantageous and cash balances due to timing of taking out new loans would breach other counterparty limits.

4.13.3 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 2022/23. No further amendments are proposed at this stage.

4.13.4 In accordance with the Treasury Management Strategy, 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.

4.14 Investment performance year to date as of 31 March 2023

4.14.1 The Council's current investment portfolio consists of "conventional" cash investments: deposits with banks and building societies, Money Market Funds and loans to other Local Authorities. No investments have been made with any of the other approved instruments within the Specified and Non-specified Investment Criteria (see Appendix D).

4.14.2 The average level of funds available for investment purposes during the year was £67Million, earning an average interest rate of 1.79%. Interest earned to 31 March 2023 was £1.2Million on treasury investments, against an original budget of £330K, contributing to General Fund (£363K) and Housing Revenue Account revenue income (£845K). Investment interest rates have since

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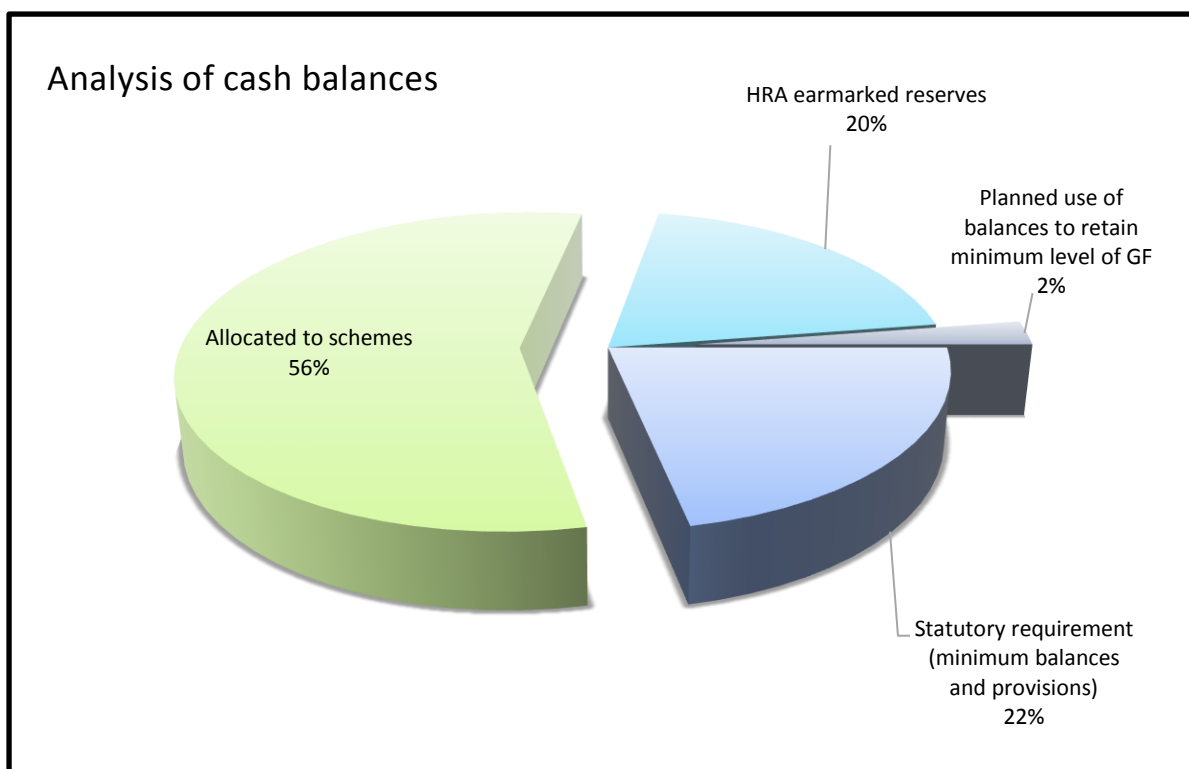
significantly increased with the movement in the Bank of England base rate and are now predicted to be an average 5.18% for 2023/24.

4.14.3 The Council's balances are made up of cash reserves e.g. HRA and General Fund balances, restricted use receipts e.g. right to buy one for one receipts and balances held for provisions such as business rate appeals.

4.14.4 In considering the Council's level of cash balances, Members should note that the General Fund MTFS and Capital Strategy have a planned use of resources over a minimum of 5 years and the HRA Business Plan (HRA BP) a planned use of resources over a 30 year period, which means, while not committed in the current year, they are required in future years.

4.14.5 The following chart shows the planned use of cash balances as at 31 March 2023.

Chart 2



4.14.6 The restrictive use of a proportion of the cash balances set out above, plus the planned use of resources in line with the Council's capital and revenue strategies mean that the investment balance of £43Million as at 31 March 2023 is not available for new expenditure.

4.14.7 Other Prudential Indicators

4.14.8 The ratio of financing costs to net revenue stream is equal to General Fund interest costs divided by the General Fund net revenue income from Council

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tax, Revenue Support Grant and retained business rates. The 2022/23 indicator is an average of 15.26% (General Fund 5.52%, HRA 17.18%). This means the cost of borrowing represents a small proportion of the General Fund's core resources but a larger portion of HRA resources.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and reviews the treasury management function for 2022/23. Any consequential financial impacts identified in the Capital strategy and Revenue budget monitoring reports have been incorporated into this report.

5.1.2 During the financial year Officers operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury management practices.

5.2 Legal Implications

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

5.2.2 There have been no changes to PWLB borrowing arrangements since the last Treasury report, however there are changes to the Prudential and Treasury Management codes from 2023/24. Officers will ensure that any changes are reflected in treasury operations and reporting requirements.

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, although reducing still remain. As these conditions change the Council may need to take borrowing at higher rates which would increase revenue costs.

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

5.3.3 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.

5.3.4 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 be included in the revision to the BP in 2023.

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 Treasury Management (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 Council's ambition to attempt to be carbon neutral by 2030.

BACKGROUND PAPERS

- BD1 Treasury Management Strategy including Prudential Code Indicators 2022/23 (Council 24 February 2022)

APPENDICES

- Appendix A - Investment and Borrowing Portfolio
- Appendix B - Specified and Non-Specified Investment Criteria
- Appendix C - Link detailed Economy and Interest rates review
- Appendix D - Counterparty List 31 March 2023

Appendix A

INVESTMENT PORTFOLIO 31 MARCH 2023

Average interest rate - 2021/2022	0.35%
Average interest rate - 2022/23	1.79%

Investment Summary for Stevenage Borough Council

Investment data as at: Mar/2023

	Country	Institution	Instrument Type	Start	Maturity	Yield	Principal
🇦🇺	🇦🇺 AUS	Australia and New Zealand Banking Group Ltd.	Fixed Term Deposit	18/10/2022	18/05/2023	4.44%	£2,300,000
		Australia and New Zealand Banking Group Ltd.	Fixed Term Deposit	28/12/2022	27/12/2023	4.78%	£5,000,000
							£7,300,000
🇨🇦	🇨🇦 CAN	National Bank of Canada	Fixed Term Deposit	19/12/2022	19/06/2023	4.17%	£5,000,000
							£5,000,000
🇩🇪	🇩🇪 DEU	Landesbank Hessen-Thueringen Girozentrale	Fixed Term Deposit	18/01/2023	18/07/2023	4.06%	£3,000,000
							£3,000,000
🇬🇧	🇬🇧 GBR	Cambridgeshire County Council	Fixed Term Deposit	13/04/2021	12/04/2023	0.44%	£5,000,000
		Santander UK PLC	Call (60 Day Notice)			3.58%	£1,000,000
		Standard Chartered Bank	Call (95 Day Notice)			4.49%	£7,000,000
		Goldman Sachs International Bank	Fixed Term Deposit	30/03/2023	29/09/2023	4.74%	£3,300,000
		Bury Metropolitan Borough Council	Fixed Term Deposit	18/05/2020	18/11/2024	2.00%	£2,300,000
							£18,600,000
🇩🇪	🇩🇪 MMF	MMF Aberdeen	Money Market Fund			3.95%	£4,500,000
		MMF CCLA	Money Market Fund			3.90%	£4,315,000
		MMF Morgan Stanley	Money Market Fund			3.97%	£570,000
							£9,385,000
Total							£43,285,000

Note the £17k difference between £43,285,000 as above and the treasury investments in the TM outturn report is MMF invested internally with HSBC bank account.

PWLB LOAN PORTFOLIO 31st March 2023

Decent Homes Borrowing

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

PWLB	Fixed Rate/Maturity	4.65	3,000,000	25/03/2010	25/09/2035	25 1/2 years
PWLB	Fixed Rate/Maturity	1.72	510,000	25/03/2020	25/03/2045	25 Years
PWLB	Fixed Rate/Maturity	1.60	3,500,000	25/03/2020	25/03/2037	17 years
PWLB	Fixed Rate/Maturity	2.06	10,000,000	30/03/2021	30/03/2041	20 years
PWLB	Fixed Rate/Maturity	2.24	4,047,150	03/02/2022	03/02/2043	21 years
PWLB	Fixed Rate/Maturity	2.22	5,000,000	03/02/2022	03/08/2047	25 1/2 years
			30,820,150			

Self Financing Borrowing

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

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	2.29	1,755,950	19/03/2018	19/03/2028	10 years
			1,755,950			

Total PWLB Borrowing

227,487,100

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

2022/23 Treasury Management Strategy

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 (Link'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 or with Notice	AAA rated	Instant Access or notice period up to one year

Table 2

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

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

Table 3 **Treasury Limits**

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

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

UK. Economy.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets

liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.23. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

Appendix D

Investment Counterparty List 31 March 2023

<u>Counterparty</u>	<u>LT Rating (Fitch)</u>	<u>LRT Rating (Moody's)</u>	<u>LT Rating S&P</u>
<u>Australia</u>	<u>AAA</u>	<u>Aaa</u>	<u>AAA</u>
Australia and New Zealand Banking Group	A+	Aa3	AA-
Commonwealth Bank of Australia	A+	Aa3	AA-
Macquarie Bank Ltd.	A	A2	A+
National Australia Bank Ltd.	A+	Aa3	AA-
Westpac Banking Corp.	A+	Aa3	AA-
<u>Belgium</u>	<u>AA-</u>	<u>Aa3</u>	<u>AA</u>
BNP Paribas Fortis	A+	A1	A+
KBC Bank N.V.	A+	A1	A+
<u>Canada</u>	<u>AA+</u>	<u>Aaa</u>	<u>AAA</u>
Bank of Montreal	AA-	Aa2	A+
Bank of Nova Scotia	AA-	Aa2	A+
Canadian Imperial Bank of Commerce	AA-	Aa2	A+
National Bank of Canada	A+	Aa3	A+
Royal Bank of Canada	AA-	Aa1	AA-
Toronto-Dominion Bank	AA-	Aa1	AA-
<u>Denmark</u>	<u>AAA</u>	<u>Aaa</u>	<u>AAA</u>
Danske A/S	A	A2	A+
<u>Finland</u>	<u>AA+</u>	<u>Aa1</u>	<u>AA+</u>
Nordea Bank Abp	AA-	Aa3	AA-
OP Corporate Bank plc	-	Aa3	AA-
<u>France</u>	<u>AA</u>	<u>Aa2</u>	<u>AA</u>
BNP Paribas	A+	Aa3	A+
Credit Agricole Corporate and Investment Bank	A+	Aa3	A+
Credit Agricole S.A.	A+	Aa3	A+
Credit Industriel et Commercial	A+	Aa3	A+
Societe Generale	A-	A1	A+
<u>Germany</u>	<u>AAA</u>	<u>Aaa</u>	<u>AAA</u>
Bayerische Landesbank	A-	Aa3	-
Commerzbank AG	-	A1	A-
Deutsche Bank AG	BBB+	A1	A-
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	AA-	Aa2	A+
Landesbank Baden-Wuerttemberg	A-	Aa3	-
Landesbank Berlin AG	-	Aa3	-
Landesbank Hessen-ThuringenGirozentrale	A+	Aa3	-
Landwirtschaftliche Rentenbank	AAA	Aaa	AAA
Norddeutsche Landesbank Girozentrale	A-	A3	-
NRW.BANK	AAA	Aa1	AAA
<u>Netherlands</u>	<u>AAA</u>	<u>Aaa</u>	<u>AAA</u>
ABN AMRO Bank N.V.	A	A1	A
Bank Nederlandse Gemeenten N.V.	AAA	Aaa	AAA
Cooperatieve Rabobank U.A.	A+	Aa2	A+
ING Bank N.V.	AA-	Aa3	A+
Nederlandse Waterschapsbank N.V.	-	Aaa	AAA
<u>Norway</u>	<u>AAA</u>	<u>Aaa</u>	<u>AAA</u>
DNB Bank ASA		Aa2	AA-

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Investment Counterparty List 31 March 2023

<u>Counterparty</u>	<u>LT Rating (Fitch)</u>	<u>LRT Rating (Moody's)</u>	<u>LT Rating S&P</u>
<u>Qatar</u>	<u>AA-</u>	<u>Aa3</u>	<u>AA</u>
Qatar National Bank	AA-	Aa3	A+
<u>Singapore</u>	<u>AAA</u>	<u>Aaa</u>	<u>AAA</u>
DBS Bank Ltd.	AA-	Aa1	AA-
Oversea-Chinese Banking Corp. Ltd.	AA-	Aa1	AA-
United Overseas Bank Ltd.	AA-	Aa1	AA-
<u>Sweden</u>	<u>AAA</u>	<u>Aaa</u>	<u>AAA</u>
Skandinaviska Enskilda Banken AB	AA-	Aa3	A+
Svenska Handelsbanken AB	AA	Aa2	AA-
Swedbank AB	AA-	Aa3	A+
<u>Switzerland</u>	<u>AAA</u>	<u>Aaa</u>	<u>AAA</u>
UBS AG	AA-	Aa2	A+
<u>United Arab Emirates</u>	<u>AA</u>	<u>Aa2</u>	<u>AA</u>
First Abu Dhabi Bank PJSC	AA-	Aa3	AA-
<u>United Kingdom</u>	<u>AA-</u>	<u>Aa3</u>	<u>AA</u>
Al Rayan Bank Plc	-	A1	-
Bank of Scotland PLC (RFB)	A+	A1	A+
Barclays Bank PLC (NRFB)	A+	A1	A+
Barclays Bank UK PLC (RFB)	A+	A1	A+
Close Brothers Ltd	A-	Aa3	-
Clydesdale Bank PLC	A-	A3	A-
Co-operative Bank PLC	BB	Ba1	-
Coventry Building Society	A-	A2	-
Goldman Sachs International Bank	A+	A1	A+
Handelsbanken Plc	AA	-	AA-
HSBC Bank PLC (NRFB)	AA-	A1	A+
HSBC UK Bank Plc (RFB)	AA-	A1	A+
Leeds Building Society	A-	A3	-
Lloyds Bank Corporate Markets Plc (NRFB)	A+	A1	A
Lloyds Bank Plc (RFB)	A+	A1	A+
National Bank Of Kuwait (International) PLC	A+	-	A
National Westminster Bank PLC (RFB)	A+	A1	A
Nationwide Building Society	A	A1	A+
NatWest Markets Plc (NRFB)	A+	A1	A-
Principality Building Society	BBB+	Baa2	-
Santander Financial Services plc (NRFB)	A+	A1	A-
Santander UK PLC	A+	A1	A
Skipton Building Society	A-	A2	-
SMBC Bank International Plc	A-	A1	A
Standard Chartered Bank	A+	A1	A+
The Royal Bank of Scotland Plc (RFB)	A+	A1	A
West Bromwich Building Society	-	Ba3	-
Yorkshire Building Society	A-	A3	-
<u>United States</u>	<u>AAA</u>	<u>Aaa</u>	<u>AA+</u>
Bank of America N.A.	AA	Aa2	A+
Bank of New York Mellon, The	AA	Aa1	AA-
Citibank N.A.	A+	Aa3	A+
JPMorgan Chase Bank N.A.	AA	Aa1	A+
Wells Fargo Bank, NA		Aa1	A+

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