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23 November 2021

To: Chair – Councillor Tony Mason
Vice-Chair – Councillor Nick Sample
Members of the Audit and Corporate Governance Committee –
Councillors Jose Hales, Geoff Harvey, Mark Howell and Heather Williams

Quorum: 3

Substitutes: Councillors Nick Wright, Bunty Waters, Tom Bygott,
Grenville Chamberlain, Graham Cone, Steve Hunt and Henry Batchelor

Dear Councillor

You are invited to attend the next meeting of **Audit and Corporate Governance Committee**, which will be held in **Council Chamber - South Cambs Hall** at South Cambridgeshire Hall on **Wednesday, 1 December 2021 at 10.00 a.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution ***in advance of*** the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
Liz Watts
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.

	Agenda	Pages
1.	Apologies for Absence To receive Apologies for Absence from Committee members.	
2.	Declarations of Interest	
3.	Minutes of Previous Meeting To confirm the minutes of the meeting held on 28 September 2021 as a correct record.	1 - 4
4.	Public Questions	

Decision Item

5. **Auditor Appointment for 2023/24 Onwards** 5 - 8

Information Items

6. **Final Accounts Update** 9 - 16
7. **External Audit Update - report to follow**
8. **Internal Audit Update Report** 17 - 44
9. **Mid Year 2021/2022 Treasury Management Report** 45 - 62
10. **Risk Management Report** 63 - 74
11. **Matters of Topical Interest**
12. **Date of Next Meeting**
29 March 2022.

Notes to help those attending meetings in person at South Cambridgeshire Hall

Please also refer to any Covid-security measures relating to meetings in the Council Chamber

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If you feel unwell or need first aid, please alert a member of staff.

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We are open and transparent about how we make decisions. Public meetings are webcast and are also recorded, but we allow recording, filming and photography at Council, Cabinet and other meetings, which members of the public can attend, so long as proceedings at the meeting are not disrupted. We also allow the use of social media during meetings to bring Council issues to the attention of a wider audience. To minimise disturbance to others attending the meeting, please switch your phone or other mobile device to silent / vibrate mode.

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You are not allowed to bring into, or display at, any public meeting any banner, placard, poster or other similar item. If you do so, the Chair will suspend the meeting until such items are removed.

Disturbance by Public

If a member of the public interrupts proceedings at a meeting, the Chair will warn the person concerned. If they continue to interrupt, the Chair will order their removal from the meeting room. If there is a general disturbance in any part of the meeting room open to the public, the Chair may call for that part to be cleared. The meeting will be suspended until order has been restored.

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Since 1 July 2008, South Cambridgeshire District Council has operated a Smoke Free Policy. No one can smoke at any time within the Council offices, or in the car park or other grounds forming part of those offices.

Food and Drink

Until the lifting of Covid restrictions, no vending machines are available. Bottled water is available for attendees at meetings.

Agenda Item 3

South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Tuesday, 28 September 2021 at 10.00 a.m.

PRESENT:	Councillor Tony Mason – Chair Councillor Nick Sample – Vice-Chair	
Councillors:	Geoff Harvey	Heather Williams
Officers:	Rory McKenna Patrick Adams Peter Maddock	Monitoring Officer Senior Democratic Services Officer Head of Finance
Auditors:	Janet Dawson Mark Russell Jonathan Tully	Ernst & Young Ernst & Young Head of Shared Internal Audit

Councillor John Williams was in attendance, by invitation.

1. Apologies for Absence

Apologies for absence were received from Councillors Jose Hales and Mark Howell.

2. Declarations of Interest

None.

3. Minutes of Previous Meeting

The minutes of the meeting held on 29 July 2021 were agreed as a correct record, subject to the amendment of the penultimate sentence of minute 5 to: "... wished him well for the future." The following matters arose.

Staff in Accountancy

The Chief Finance Officer reported that there were currently 17.5 Full Time Equivalent staff working in Accountancy. The management structure included a Chief Accountant, who managed three Principal Accountants. He agreed to distribute an organisation chart to members of the Committee.

The Chief Finance Officer explained that the Council planned to recruit an extra 0.5 Full Time Equivalent to assist with the 2019/20 audit of accounts.

4. Audit and Governance update

The Head of Internal Audit presented this report, which provided the Committee with an update on the key audit and governance themes. It was noted that the error on the contents page needed to be corrected.

Tackling fraud

The Head of Finance explained that the counter-fraud team had been set up in the spring of 2020 and the Covid-19 pandemic had made it very difficult to carry out investigations.

He reported that the team worked on fraud prevention as well as fraud detection. He was confident that the success of fraud prevention and detection paid for the cost of the team. He stated that performance would be measured using nationally recognised methods. He agreed to consider whether this data performance could be reported quarterly to the Committee.

The Committee **Noted** the report.

5. Treasury Management - Annual Report 2020/2021

The Head of Finance presented this report on the Treasury Management activities in the financial year 2020/21. He was pleased to report that the Council had achieved a better investment return on average than others similar authorities in the same benchmarking group. He agreed to provide a full definition of the “average weighted credit scores” referred to in paragraph 28 of the report, which was the formula used to compare the performance of different local authorities.

Ice rink

The Head of Finance reported that the Council had provided a substantial loan to the ice rink about three years ago. They had suffered due to the Covid-19 pandemic, but now the public had returned in great numbers to the facility. The Council were negotiating a possible extension to the loan.

South Cambs Limited

The Head of Finance explained that the Council was given 3-4 weeks’ notice by South Cambs Limited when a loan was required to purchase a property. The interest on the loan would then be paid a month and half after the loan was provided.

Borrowing rates

The Head of Finance reported that short-term borrowing rates were currently more competitive than long-term borrowing rates. At some stage in the future the Council will switch to long-term borrowing when this was in the authority’s best interests. It was noted that there were risks involved in this matter. The Head of Finance confirmed that he would be talking to advisers about this issue in October.

The Committee requested a risk assessment on the borrowing being made by the Council compared to the value of its assets.

The Committee **Agreed** to approve the Treasury Management Annual report.

6. Matters of Topical Interest

Janet Dawson from E&Y explained that she had replaced Elizabeth Jackson as the Council’s external auditor, because of the significant delays to the signing of the 2018/19 accounts. She explained that E&Y had been unable to process the accounts because the Council had not provided the necessary information. It was now 12 months since E&Y had started the audit of the accounts, but concerns raised had still not been resolved. She explained that the Council’s external auditors had the power to take a report to full Council detailing the information that was required and giving the authority 30 days to respond. If the Council was unable to provide the information requested within two weeks, E&Y would invoke these powers.

Two-week deadline for the Council

In response to questioning Janet Dawson explained that the Council had been given a two

week deadline, following a meeting this morning. Mark Russell confirmed that this was achievable, but recent history indicated that it was not certain. The Head of Finance reported that the Council needed to provide data for the external valuer who then needed to provide information for the asset register. Mark Russell added that the Council also needed to provide an up-to-date Comprehensive Income Statement, as well as an accurate valuation of its assets before a final version of the fixed assets register could be provided.

Processing of future accounts

Janet Dawson stated that it was possible that the 2018/19 accounts could be agreed in the next two months and then work could start on the 2019/20 accounts. If everything went to plan it was possible that the 2021/22 accounts would be processed in the summer of 2022.

The Head of Finance stated that the Council would put the resources in place to get the 2018/19 accounts, the 2019/20 accounts, the 2020/21 accounts and then the 2021/22 accounts processed. With the co-operation and commitment of E&Y he was hopeful that matters could be brought up to date by the summer of 2022.

The Chair of the Committee asked to be provided with an update every two days on the position of the signing off of the 2018/19 accounts. He would then report the situation to the members of the Committee.

Councillor Heather Williams reiterated her request for guidance for councillors on how to ensure that the Audit and Corporate Governance Committee was effective.

The Committee **Noted** the report.

7. Date of Next Meeting

It was noted that the next meeting will be held on Wednesday 1 December 2021 at 10 am.

The Meeting ended at 11.05 a.m.

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Agenda Item 5



South
Cambridgeshire
District Council

Report To: Audit and Governance 1st December 2021

Lead Cabinet Member(s): Councillor John Williams,
Lead Cabinet Member for Finance

Lead Officer: Peter Maddock, Head of Finance

Auditor Appointment for 2023/24 Onwards

Executive summary

1. From 1st April 2015 Public Sector Audit Appointments Ltd (PSAA) were responsible for appointing auditors, setting fee scales and managing contracts with the audit firms that carry out the audits of Local Authority accounts.
2. The current appointing period runs from 2018/19 to 2022/23 and this report proposes a course of action to be followed for the next appointing period commencing on 1st April 2023 for the financial year 2023/24.
3. This process has to be completed well in advance of the financial year in question and the approach to be taken needs to be agreed by this Committee.

Recommendation

4. **That this Committee agree that when appointing the auditor for the next appointing period from 1st April 2023, the PSAA contract and framework is used for this process.**

Background information

Introduction

5. The Council Accounts are currently audited by Ernst and Young (EY). They were the appointed auditor for the current appointing period which runs up to the end of the financial year 2022/23. The appointing period runs for five years and from the financial year 2023/24 a new appointment will need to be made as that is the start of the next five year appointing period.

Current Situation

6. The Council's accounts are currently audited by EY as the appointed auditor for the financial years from 2018/19 until 2022/23.

7. Whilst the audit of the accounts is somewhat behind schedule with the 2018/19 accounts audit due to be completed shortly with a view of getting up to date by this time next year, the Council needs to begin the process of ensuring that an appointed auditor is in place for the next appointing period.
8. The appointment can either be made through a framework contract organised through the PSAA or the Council can carry out a separate tender exercise and appoint an auditor via that route. Whichever route is chosen there are only a handful of firms able to complete this work and our auditors going forward would need to be one of these firms whichever route is taken.
9. For the last appointment period the vast majority of organisations went with the PSAA process as this was much more cost effective and the contract let was of a standard nature and the level of service provided was the same for all participants.
10. Having said that issues have arisen around audit firms being able to resource audits mainly due to a shortage of suitable staff to carry out the work and there have been a number of situations where audit opinions have been delayed. At the time of writing a significant number of the 2019/20 audits are still awaiting completion including ourselves.
11. It is also worth noting that whether we organise a tender process ourselves, which will undoubtedly involve incurring additional cost and time, or we join the PSAA process we will not overcome the sort of issues highlighted previously as the prospective tenderers in both scenarios are the same.
12. It is good practice that audit firms carrying out particular audits do not do so for the long term and the five year cycle of appointment periods is designed to ensure that each authority has a change of audit firm for each cycle. It is therefore highly likely that EY will no longer be the Council's auditor for the next appointment period.
13. The Committee is asked to confirm which route should be taken for the next auditor appointment period commencing on 1st April 2023.

Options

14. The appointment process can follow one of the two routes suggested however there is no obvious advantage of carrying out a separate tender exercise and the latter will incur additional cost and significant officer time and we will still need to be audited by one of the approved firms which are part of the PSAA contract anyway. A discussion with other Cambridgeshire authorities has suggested that they all intend to follow the PSAA route for the reasons outlined earlier.

Implications

15. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Legal

16. There is a requirement for the Council to have an appointed auditor well ahead of the start of the next appointing period which this report proposes a course of action to achieve that.

Financial

17. The audit fees payable under the PSAA route are set by the contract between the PSAA and the audit firm. However additional fees are levied where additional work is undertaken or where there are additional requirements of a particular audit. Running a separate tender exercise is unlikely to produce any savings and it will not be straight forward letting a contract that covers all eventualities unless the PSAA standard contract was used.

Risk

18. There is a risk that no responses would be received if the Council undertake a separate exercise which would mean carrying out the exercise again. The PSAA exercise would guarantee an appointment and the terms of that appointment would be in line with other authorities.

Environmental

19. There are no environmental implications arising directly from the report.

Equality Analysis

20. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. It is considered that the report has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.

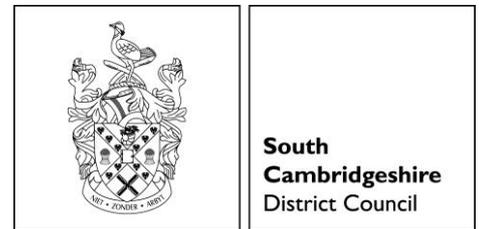
Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information England) Regulations 2012 require documents to be open to inspection by members of the Public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) In the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

REPORT AUTHOR: Peter Maddock – Head of Finance
E-mail: peter.maddock@scambs.gov.uk

Agenda Item 6



South
Cambridgeshire
District Council

REPORT TO: Audit & Governance 1 December 2021

LEAD CABINET MEMBER: Councillor John Williams,
Lead Cabinet Member for Finance

LEAD OFFICER: Peter Maddock, Head of Finance

Final Accounts Update

Executive Summary

1. The Council has 3 years of Accounts where external audits have yet to be finalised and specifically for 2019/20 and 2020/21, the draft accounts are still to be completed. Further details are set out below. This report updates the Committee on progress with the completion of the Council's Final Accounts for 2018/19, and proposed closure for 2019/20, 2020/21 and 2021/22 by the end of 2022 with potential further slippage provided for into early 2023.
2. The 2017/18 Audit of Accounts was completed in July 2020 and the 2018/19 Audit started during October 2020. This Audit is nearing completion and it is expected that the audit will complete during December 2021, with final sign off expected in early January.
3. Officers are in the process of compiling the 2019/20 accounts. The Accounts for that year have yet to be drafted in full, due to the delays caused by earlier years' accounts still being audited, however the Council is on track to produce a completed draft in early 2022 and have indicated to EY they will be focusing on prioritising resolving the 2018/19 outstanding queries previously reported to committee and getting these signed off before passing over the 2019/20 accounts closure package to EY for a proposed audit start date early in 2022 subject to EY confirmation, (EY have indicated that they are unable to produce an Audit Plan for 2020-21 for review and agreement until the previous years' Audits are largely complete.) This will also enable transformation work to be completed to assist with the closure of the 2020/21 accounts.

Key Decision

4. This is not a key decision as there are no resource implications directly arising from the report at this stage.

Recommendation

5. **To note the progress made in relation to the Audit of the 2018/19 Accounts.**

6. **To note the progress being made in closing the 2019/20 Accounts.**
7. **To note the content and timelines of the attached Gantt Chart appendix 1 for the closure of the 2019/20, 2020/21 and 2021/22 Accounts.**

Reason for Recommendation

8. To inform the committee of progress on the 2018/19 accounts audit and timelines for closure and audit of the accounts for 2019/20, 2020/21 and 2021/22.

Details

9. Public Sector Audit and Appointments (PSAA), which manages audit contracts for 98% of local authority bodies, has announced that audit completion rates have progressively worsened in recent years. About half (45%) of 2019-20 audits and 57% of 2018-19 audits were completed by the deadlines of 30 November 2020 and 31 July 2019 respectively. PSAA, the appointing body for local audit, says “delayed audit opinions continue to be a major concern in the local audit system”. It said performance is being impacted by the challenges of the pandemic alongside other pressures documented in the Redmond review published last September. These include a shortage of auditors with the experience to deal with increasingly “complex structures and transactions” and a growing backlog of audits.
10. Former Audit Committee reports set out the context and background in more detail.

2018/19 Accounts

11. The Audit of the 2018/19 accounts is close to completion and Officers are working with EY to complete the final queries arising on the 2018/19 Accounts previously reported to committee. It is anticipated that the Audit will be completed during December 2021 and sign off by audit committee will follow early in the new year.

2019/20 Accounts

12. The majority of pre audit work has been completed on the 2019/20 accounts. Pre audit work comprises of over 127 EY Client Assistance items of information to be provided to EY in advance of or at the time of commencement of audit. Currently of those 127 items 70 are either completed or in progress, this work was commenced on or around 22 September 2021 approximately 6 to 8 weeks ago from the date of this report, on the historic basis of completion or work in progress of circa 10 to 11 items per week the remaining circa 50 items should be completed in approximately 5 weeks but is dependent on the 2018/19 audit being finalised in December to allow for those balances to be rolled over into 2019/20.
13. The 2019/20 Audit will conflict with preparation for the 2021-22 Accounts and may potentially be completed after the start of the financial year 2022-23 when

the Accounts for 2021-22 will be being produced, which is very challenging. Estimated audit completion date is likely to be after March 2022.

2020/21 Accounts

14. Preparation for the 2020/21 Accounts has commenced with the closure of year end ledger routines, with a proposed audit start date and completion subject to EY confirmation of May 2022 and June/July 2022 respectively as per the Gantt chart in appendix 1.

2021/22 Accounts

Preparation for the 2021/22 Accounts will not commence until March/April 2022 with the closure of year end ledger routines and a proposed audit start date and completion subject to EY confirmation of September 2022 and October 2022 respectively as per the Gantt chart in appendix 1.

Implications

15. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Legal

16. Since 2016 there has been a requirement under the Accountancy and Audit Regulations for council's to present their accounts for the preceding financial year for audit by 31st of May each year and for those accounts to be audited and published by 31st July each year. An extension was granted for 2019/20 and 2020/21 accounts due to COVID but the delay in the audit of the 2018/19 accounts has made this largely academic.

Finance

17. The Council's accountancy function consists of approximately 17.5 full time equivalent officers together with 2 interims to support the Accounts production for 2021/22, and the Audits of previous years. Wherever possible tasks will be shared or will be reallocated with resources flexed, officers have indicated they are willing to work overtime to complete deadlines.
18. In order to meet the January deadline, officers have considered the logistics of the audit to complete their work as efficiently as possible and have implemented a tracking and response document for each officer responsible, interim lead closure will then use this list to contact the team members directly for the required evidence, and on receipt, will log and update where applicable. This will have the effect of speeding up the audit completion so that officers are aware of the volume of requests that will be coming their way and be supported with any prioritisation of workload and assist officers to identify where and when additional resources are required.

19. Getting the accounts audits back on track is essential to improving the financial management and reporting of the Council, however the financial health of the authority is still very good is not affected by this.

Risks

20. There is a risk that the financial statements are incorrectly stated with consequential impacts. This is still a significant risk going forward but with dedicated experienced resources now tasked with accounts completion for 2019/20, 2020/21 and 2021/22 the risk should be mitigated to a significant extent.

Environmental

21. None arising from this report.

Equality and Diversity

22. None arising from this report.

Effect on Council Priority Areas

23. The production of annual accounts results in the publication of accurate, transparent financial information which gives a true and fair view of economic performance and financial stability.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Audit of 2018/19 Accounts – Report to Audit & Governance Committee : 28 September 2021.
- Audit of 2018/19 Accounts – Report to Audit & Governance Committee : 29 July 2021.

- Audit of 2018/19 Accounts – Report to Audit & Governance Committee : 23 March 2021.

Appendices

1 Final Accounts Gantt Chart

Report Authors:

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e-mail: james.carter@scambs.gov.uk

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SCDC Closure Planner

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Select a period to highlight at right. A legend describing the charting follows.						Period Highlight: 1	Plan Duration					Actual Start					% Complete					Actual (beyond plan)					% Complete (beyond plan)																																																
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JPC auditor liaison and coordinate sampling for 20/21 and audit sign off	19	7				[Gantt bar from period 19 to 26]																																																																					
JPC/TMF QA WP 21/22	26	7				[Gantt bar from period 26 to 33]																																																																					
EY Planning Period for 21/22	27	4				[Gantt bar from period 27 to 31]																																																																					
Allow for annual summer leave based on prior experience	29	6				[Gantt bar from period 29 to 35]																																																																					
JPC auditor liaison and coordinate sampling for 21/22 audit sign off	37	7				[Gantt bar from period 37 to 44]																																																																					
Allow for Other Activity - Contingency Period	44	13				[Gantt bar from period 44 to 57]																																																																					
Legend:																																																																											
JPC - James P Carter - Lead Closure																																																																											
EY - Ernst Young LLP - Auditor																																																																											
TMF - Tracey M Freeman - Support Lead																																																																											

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Committee update December 2021

Introduction

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Overview

The purpose of this document is to provide an update to the Committee on key audit and governance themes.

The Chair suggested, at the July 2021 meeting, that a slot at the beginning of future meetings was allocated to check in on key areas of governance and provide any updates. If there are no updates in a particular area to report, that can be noted and taken as assurance.

This document provides summary updates for the Committee. Statistics are included to help provide an overview of work in progress and these are taken from the last financial quarter.

Your team

Head of Finance and Section 151 officer
Head of Shared Internal Audit
Corporate Fraud Manager
Monitoring Officer
Senior Democratic Services officer

Committee information

[Calendar of meetings](#)

[Committee Membership and Functions](#)

Governance, Risk and Control

Internal Audit updates

Review	Summary of report and actions
<p>Planning Performance</p>  <p>Current: Reasonable Previous: Limited</p>	<p>We have reviewed Planning Performance Data for Q2 2021 (Apr – Jun) which was finalised at the end of August for Department for Levelling Up, Housing and Communities (DLUHC) previously known as MHCLG. This was an opportunity to evaluate controls and processes which were implemented in May, following our previous review which provided limited assurance.</p> <p>Our review concluded that the controls have been implemented, and there is a Reasonable level of assurance. This was reported to the Scrutiny and Overview Committee on the 11th November.</p>
<p>Grant assurance – Disabled Facility Grant</p>  <p>Current: Reasonable Previous: Limited</p>	<p>A proportion of the Central Government “Better Care Fund” is distributed to District Councils, to carry out improvements to housing stock, and for disabled adaptations. In 2020/2021 SCDC received £729,973.</p> <p>We reviewed controls and sample tested grant payments. Our review provides assurance to both the Council, plus the County Council and Central Government, as part of the grant certification process set by the DLUHC. The assurance rating has improved from Limited (last year) to Reasonable as controls have improved.</p>

Cambridgeshire Council Tax Compliance and Counter-Fraud Initiative

Cabinet [approved](#) the business case for the Cambridgeshire Council Tax Compliance and Counter-Fraud Initiative in October.

Internal Audit is helping the Revenues Team with the project implementation. We will use our experience from operating the National Fraud Initiative exercise to develop robust information governance and data processing when the system is procured and implemented.

National Fraud Initiative

This [article](#) explains how the government anti-fraud programme has detected or prevented cases of fraud and error across the public sector since it was set up 25 years ago.

The Council will complete the next extract of [Council Tax and Electoral Register](#) data in December. We will review and quality assure the data prior to processing it via the secure Cabinet Office systems.

Business Grant Assurance

We have now processed 6298 grants to date through the National Fraud Initiative bank verification system, which provides assurance that grant applications were made from legitimate businesses.

BEIS, who set up the funding schemes, have outlined their Post Payment Assurance Process. We have already completed this for three schemes. BEIS have outlined a forward program of work from November onwards for the remaining grant schemes.

Reviews in Progress and forward planning

Our current planned assurance and follow-up reviews include:

- VAT (Value Added Tax)
- Capital – Asset Register
- Planning – Decision Notices
- Risk Management
- Payroll
- Grant assurance – Wet Led Pub scheme

Overall assurance

The internal audit work enables to form an opinion on the internal control environment, governance and risk management arrangements.

There is currently a Reasonable level of assurance overall, which is similar level to the previous year.

Accountancy and External Audit

2018/19, 2019/2020, 2020/2021 and 2021/22 update

The 2018/19 audit is nearing completion and it is hoped the work can be completed this month with sign off early on the new year.

Preparation for the 2019/2020 audit is underway and the intention is to liaise with the audit team in advance of the audit to ensure the information presented to them meets their requirements in an effort to progress the audit more speedily. The audit itself is due to be carried out in quarter 4 of this financial year, with the 2020/2021 audit following in the spring/early summer of 2022.

The plan, as shown in the final accounts update report elsewhere on the agenda, is proposing a completion date for the 2021/2022 audit of accounts of October 2022. Clearly this plan needs to be kept under review and updated as necessary as things progress.

Counter Fraud update

Fraud Team Statistics – our quarterly position

We have included some fraud statistics below from the recent quarter. The purpose of these is to provide the Committee with an overview of the work in progress, and specific individual details are not disclosed due to sensitivity and risk of compromising any investigations in progress.

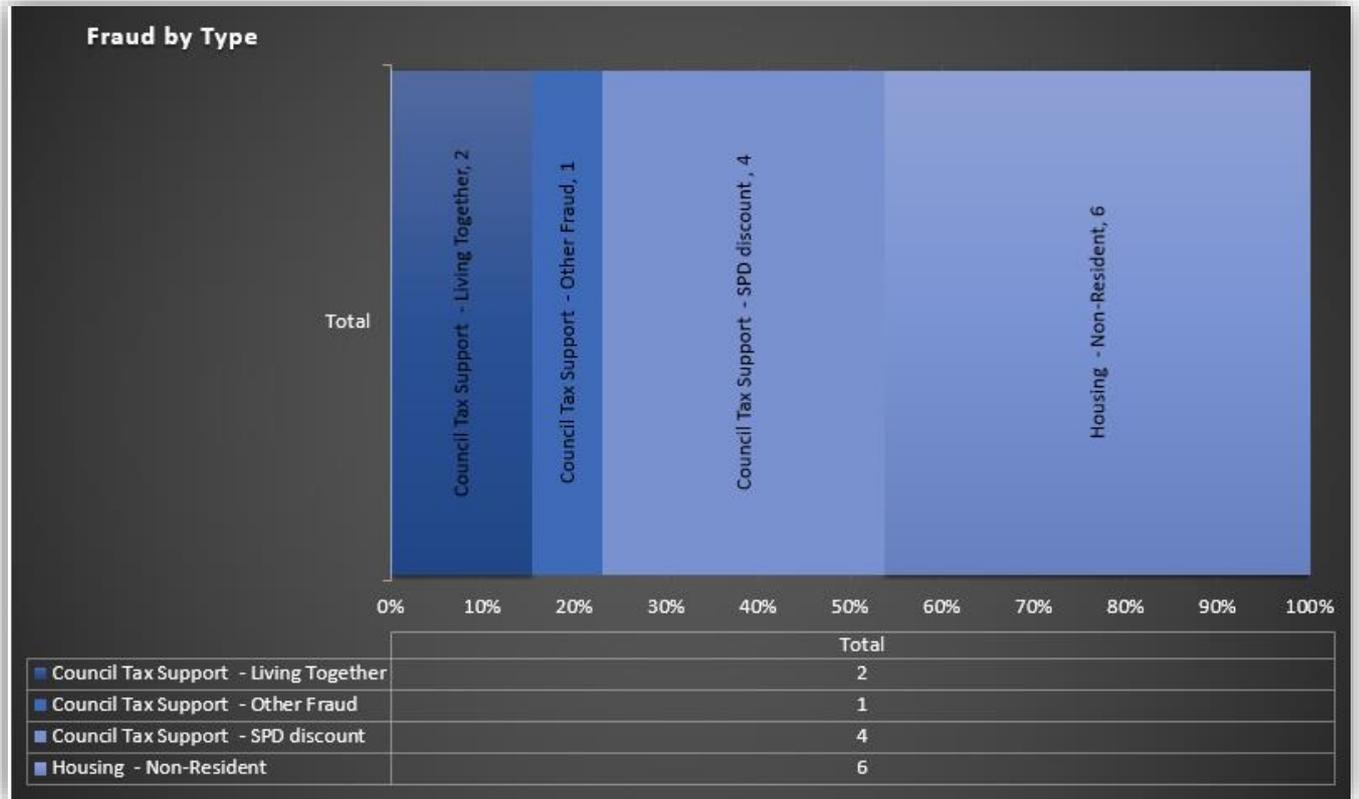
Reports of suspected fraud received

Analysis by the source of intelligence:



Fraud by type

Analysis by fraud type:



Investigations in progress (as of 30 September 2021)

Case Status	Number of Cases	Key
Live Investigation	49	Open investigations
Interview Under Caution (IUC)	3 (7 people failed to attend interviews)	Number of IUC's from live investigations
Sanction decision		Cases submitted to sanctions panel.
Criminal Prosecution Administrative Penalty Caution Prosecution and Civil action Civil Warning Letter No Further Action Notice to quit (Secure or flexible tenancy) Notice of proceedings for possession (intro tenancy) / Notice to Seek possession (secure and flexible)	2	

Investigations Closed

Closure Reason	Number
A10 Fraud proven but no further action	1
A11 Not investigated, passed for visit	
A13 Not investigated - not on benefit	
A4 Closed - claimant error only	
A5 Closed - no fraud established	1
A7 Not investigated - passed to DWP (Department for Work and Pensions)	

Proactive work – Prevention

Prevention is an important aspect of our Counter Fraud arrangements.

Education		
Workshop Attendees	Nil	
Campaign work	Nil	
Verification checks		
Right to buy verification enquiries reported	12	7 completed
Outstanding RTB Docs/Visit	3	
Homelessness verification enquiries reported	Nil	
General housing verification enquiries	Nil	
Ermine Street	Nil	
Locta	Nil	
DWP SPOC (Single Point of Contact) enquiries		
LAIEF's		
General		
Data Protection Act requests	2	
National Fraud Initiative Matching		
Biennial exercise		
Closed – Already Known	42	18 investigations commenced
Closed – No issue	4	
Annual exercise CT (Council Tax) / SPD (Single Person Discount)		
Closed – No issue	37	

RIPA (Regulation of Investigatory Powers Act) update

Cases of RIPA used in period:	0
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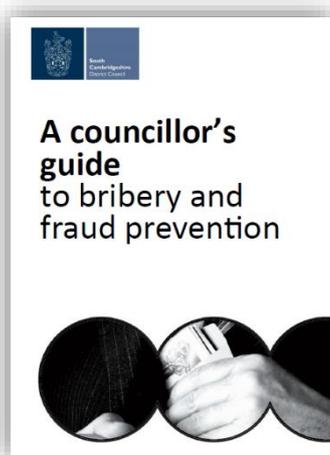
Useful Links

Link	Details
Public Sector Audit Appointments	PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.
EY.com	EY (Ernst & Young) is our current externally appointed auditor
Cabinet Office NFI (National Fraud Initiative)	The National Fraud Initiative is a data matching exercise which helps public sector organisations to prevent and detect cases of fraud and error.

Training and development

Counter fraud:

We have been developing training material on counter fraud. Resources have been collated, from LGA materials, to enhance member knowledge of fraud and corruption within Local Government.



This has been captured in ***A councillor's guide to bribery and fraud prevention*** which is circulated with this briefing.

Examples have been used to provide practical application of how fraud and corruption may present itself, and key information has been provided around member responsibility to contribute to the counter fraud effort.

Note

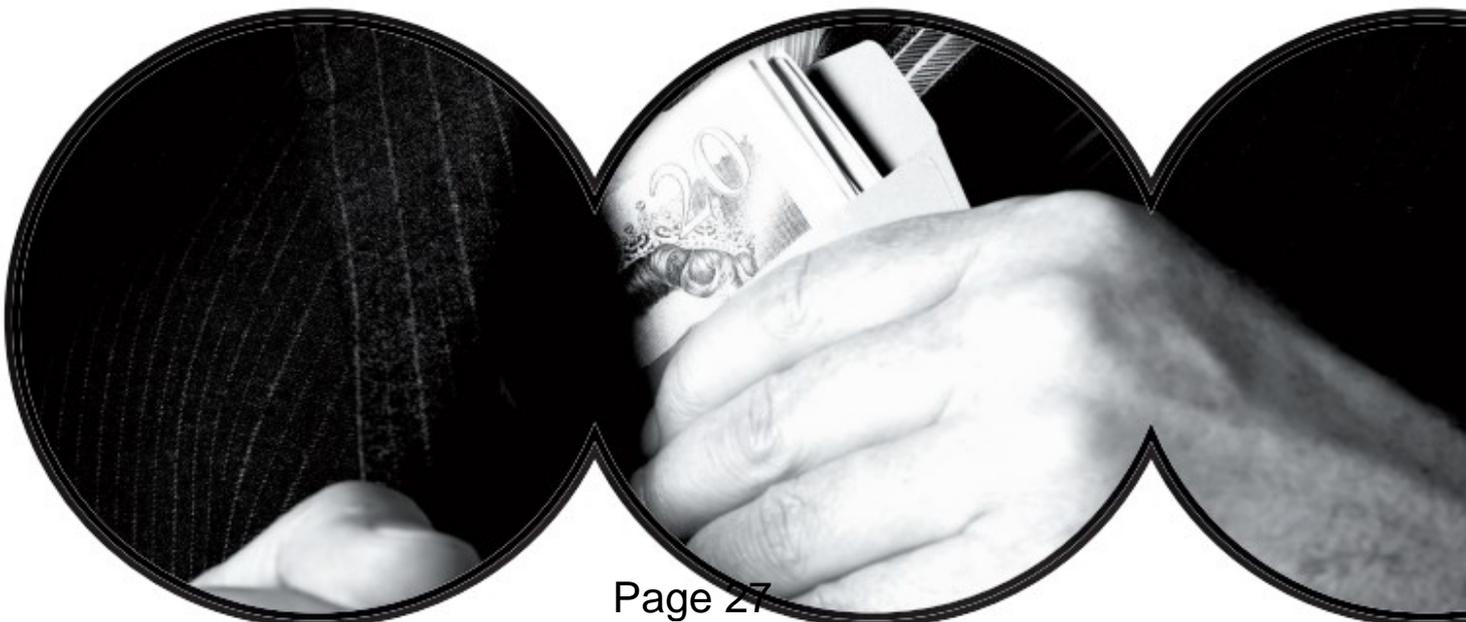
This document will have links to external websites where it provides more information. We are not responsible for the content of external websites.

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South
Cambridgeshire
District Council

A councillor's guide to bribery and fraud prevention



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Foreword

This information has been compiled as a guide for elected members. It makes no judgement about whether you have been a member for some time, or whether you have been elected more recently. If you fall into the former category the information should serve as a useful reminder of some of the key skills, approaches and tactics involved in neighbourhood and community engagement – it may even challenge you to reconsider how you have approached aspects of the role to date.

Those members who are new to local government will recognise that they have much to understand. This guide will help you to get up to speed on the main areas of the neighbourhood and community engagement role that require focus and attention. In effect, it should provide you with some pointers on how to develop a style and approach that you are comfortable with, and that enables you to be most effective in your day to day duties.

There are a few firm rules for ward members as it is recognised that each individual must decide how best to approach the role. This will be influenced by the other commitments in your life, the type of ward you represent and the methods and approaches that suit you best. There is no presumption about 'typical wards' or 'typical members' and the guide should serve more as a direction marker rather than a road map.

The key purpose is to think about your own approach to neighbourhood and community engagement – and decide how the information relates to your local situation, the people you serve and the council you represent.

In reading through the material contained in this guide you will encounter a number of features designed to help you think about the issues surrounding the development of neighbourhood and community engagement. These features are represented by the symbols shown:



Guidance – this is used to indicate guidance, research, quotations, explanations and definitions that you may find helpful.



Case studies – these are 'pen pictures' of approaches used by councils elsewhere.



Hints and tips – a selection of good practices that you may find useful.



Useful links – these are signposts to sources of further information that may help with principles, processes, methods and approaches.

Section 1 Fraud from a local authority perspective

The scale of fraud

The challenge presented by fraud to councils is significant. As stated in 'The Local Government Counter Fraud and Corruption Strategy 2016-2019' (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud costs councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher.

The CIPFA (Chartered Institute of Public Finance and Accountancy) counter fraud and corruption tracker, known as CFaCT is an annual survey of fraud activity in councils (and some other public bodies) and measures detection rates across local government and across different types of fraud. Based on returns in 2016 CIPFA estimates that over £325 million worth of fraud was detected in the UK public sector in 2015/16, with the biggest fraud areas being council tax and housing tenancy fraud. In previous years housing benefit fraud will have figured highly on this list.

Whatever the stats and reports say, it is clear that every pound lost by councils to fraud is a pound that cannot be spent on supporting the community.



Useful links

The full CFaCT report for the UK can be found here:

www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker

If your authority took part in the survey they will have received a free comparison report showing their counter fraud activity compared to other authorities in the same tier. See if you can obtain a copy from your fraud manager or head of internal audit.

If your council didn't take part in the survey perhaps you can encourage them to do so next year?

The Fighting Fraud and Corruption Locally strategy and companion documents can be found at:

www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally

The impact of fraud

The impact of fraud should never be underestimated. Fraud leaves the council with less to spend on services for residents and costs taxpayer's money. Fraud against a local council is not a victimless crime.

There's not only the lost/stolen money to consider but also the:

- loss of working time, with officers putting things right and liaising with police and lawyers
- cost of the investigation and any subsequent court costs
- increased insurance premiums.

There are also non-financial implications that are often forgotten. These will also, indirectly, have a financial impact, which is often difficult to qualify, such as:

- reduced or poor service for residents
- political impacts, eg government interventions, by-elections
- reputational damage for individuals or the council as a whole
- poor staff morale leading to poor performance and/or more fraud.

What is fraud?

'Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.'

'Managing the business risk of fraud'

published by the Institute of Internal Auditors, et al

There are a number of definitions of fraud that are commonly used, however the majority of crimes committed that are considered to be fraud will be prosecuted under the Fraud Act 2006. Many activities that are carried out by councils are covered by specific legislation, for example, offences such as making false statements in order to obtain a council house or unlawful sub-letting of a council tenancy.



Useful links

You can find out more about bribery and corruption by completing the CIPFA's Bribery and Corruption e-learning module, in partnership with the LGA. To access the site for the first time, please email: elarning@local.gov.uk

<http://lms.learningnexus.co.uk/LGA>

Fraud Act 2006

This legislation was introduced to make the law of fraud simpler and more readily understandable providing a clear understanding of the ways in which fraud can be committed. The Act gives us the provision for the general offence of fraud which is made up of three key sections:

There are many other 'activities' that may fall under the overarching definition of fraud and are indeed types of fraud, the most common of these include:

- corruption
- bribery
- theft
- money laundering.

To give a clearer understanding of these terms, they can be defined as:

- **Corruption:** The misuse of a person's position to commit offences, which can include theft, extortion and a number of other crimes, including the soliciting of bribes. The defining characteristic of corruption is that it involves collusion between two or more individuals and is often associated with those holding public office.
- **Bribery:** The offering, giving, receiving, or soliciting of any item of value, or an advantage to another person, to induce that person to improperly perform a relevant function or activity, or to reward them for improper performance.
- **Theft:** Dishonestly appropriating property belonging to another with the intention of permanently depriving that person of it.
- **Money laundering:** The process by which criminals attempt to disguise the original ownership and control of the proceeds of criminal activity by making such proceeds appear to have derived from a legitimate source.

Areas of fraud risk for councils

The estimated annual loss to fraud in councils is £2.1 billion. According to the CIPFA Fraud and Corruption Tracker 2016, the areas posing the highest fraud risk were:

1. Council tax fraud

Fraud can occur when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax. Examples include someone stating that they live alone when another adult also lives there or someone claiming to be a student when they aren't.

2. Social housing/tenancy fraud

The unlawful misuse of social housing. This can be broken down into two main areas; social housing fraud and Right to Buy fraud. The former includes offences such as unlawful subletting, false applications, non-residency and unauthorised tenancy succession and the latter includes fraudulent applications under the right to buy/acquire schemes.

3. Procurement fraud

This occurs in connection within the local authority supply chain. It can happen at any point throughout the procurement cycle but is particularly prevalent in the contract letting phase. It can also include tendering issues, split contracts and double invoicing.

4. Adult social care and direct payments

Includes overstatement of needs through false declarations, multiple claims across authorities, collusion with care agencies and posthumous continuation of claims.



Case study

Dudley Metropolitan Borough Council's Code of Practice

Dudley Metropolitan Borough Council has codes of conduct for employees and councillors which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing its 'Suppliers' Code of Practice' Dudley aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices.

Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in this code of practice.

All active suppliers have received an email announcing the launch of the code and shown where the code is available on the council's website. The code includes useful contacts if people want to report problems to the council and reinforces the availability of a fraud hotline operated by Audit Services.

Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the code.

Dudley's leaflet 'Beating fraud is everyone's business', which sets out guidelines for employees, managers and councillors, is available on the CIPFA website.

www.cipfa.org/services/counter-fraud-centre

Reproduced from Fighting Fraud and Corruption Locally 2016-19

Recruitment Fraud

Includes false CV's, job histories, qualifications, references or referees

Insurance Fraud

False claims made against a council or their insurers such as trips and slips.

Grant Fraud

There are many different types of local authority grants paid out to individuals, businesses and charities. Especially during recent times with the Covid 19 Pandemic. Fraud types include work not carried out, funds diverted, ineligibility not declared.

Cyber Fraud

Such as phishing, allowing a range of fraud types resulting in diversion of funds and the creation of false applications for services and payments



Other high risk fraud areas

No recourse to public funds

Fraudulent claim of eligibility, usually by the provision of false papers or by overstaying.

Pension Fraud

Occurs when the pension provider is not notified of changes in circumstances and payments continue to be cashed fraudulently. Examples include failure to notify the pension provider about the death of the recipient and failure to declare returning to work after retirement.

Council Tax Fraud

Council tax is paid by eligible members of a household. A household can apply for a discount if certain situations apply. If this is granted with falsifying information it will be a fraudulent claim.

Business rates (NNDR) fraud

Offences include providing false details to obtain exemptions and reliefs and unlisted properties.

Section 2 Council and councillor responsibilities in relation to fraud prevention and detection

Well governed organisations have a range of policies, procedures and frameworks to support effective risk management, transparency, accountability, financial control and effective decision making, many of which relate directly or indirectly to fraud prevention. Applying these is not only the responsibility of the audit committee or cabinet.

As an elected member, you have an essential role to play in protecting the public purse, in particular within your council. You are responsible for ensuring that your authority adequately manages its risks and that local residents receive value for money. -You have a duty of trust to residents called the 'fiduciary duty' and a major part of this is ensuring that your council adequately controls its finances to reduce losses to fraud and corruption.

In addition to your fiduciary duty, as a councillor you are a public servant and are expected to uphold certain standards of conduct and behaviour in your public life. The Committee on Standards in Public Life calls these standards the 'Seven Principles of Public Life' (also known as the Nolan Principles).



Useful links

If you would like to read more the full report on the Seven Principles of Public Life can be found here:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/543819/CSPL_Annual_Report_2015-2015.pdf

The seven principles of public life

The Seven Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

As a councillor you are expected to adhere to a code of conduct. A similar code of conduct will also apply to officers of your council. However, the biggest threat is from external sources, whether that is residents who may lie or exaggerate their circumstances to defraud or steal from the council or large scale, organised fraudsters, attacking public sector organisations as they perceive them to be a 'soft target'.

As a councillor your role in protecting the public purse may take a number of guises depending on your role and the responsibilities of your council but they may include:

1. reporting suspicious activity in your locality to your audit or fraud team eg subletting or council tax evasion
2. scrutinising risk registers and challenging if the fraud risks appear to not be well managed
3. oversight and scrutiny of budgets, especially in high risk areas
4. ensuring you declare any interests if you sit on committees such as planning
5. monitoring performance of your audit or fraud team with regard to detection and prevention of fraud
6. supporting the principles of good governance, and supporting an anti-fraud culture across the council, including whistleblowing
7. supporting the publicising of successful prosecutions by your council to act as a deterrent and perhaps providing quotes to the press if appropriate.

Something to think about...

'Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question. However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.'

Prof Alan Doig

Visiting Professor, Newcastle Business School,
Northumbria University

Section 3 The fraud responses

Councillors are not responsible for investigating fraud. If you become aware of fraud, or suspect it, you should immediately report it to the responsible officer in accordance with your authority's local procedures and policies. Do not be tempted to begin an investigation yourself, even if this appears to be helpful.

However, you should be aware of the arrangements your council has in place for responding to fraud and this is particularly important if you are given special responsibilities in this area, such as being a member of the audit and/or governance committee.



By using this strategy local authorities will:

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

Govern

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

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

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

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

Case Study

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

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

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

Acknowledge

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

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

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

The fraud was discovered via a whistleblowing referral to audit services

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

Pursue

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

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

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

Prevent

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

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

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

Case Study Pursue

Subletting Case Study Westminster City Council – unlawful profits

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

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

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

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

had already retrieved and saved copies.

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

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

The tenant has now been evicted from the property.

Investigative approaches

Councils need to regularly review their approach to fraud investigation and adapt when necessary.

Some councils have dedicated corporate anti-fraud teams to deal with all types of fraud and corruption. Others rely on audit staff to conduct investigations and some bring in outside experts when the need arises. Some councils have merged their internal audit and fraud teams to reduce costs. None of these is necessarily better or worse; it depends upon the circumstances of the authority. However, fraud investigation is a specialist job so it is important that councils have access to such trained and experienced staff. Irrespective of how any council decides to tackle its fraud and corruption risk, there are always two types of investigation that councils may be involved in; proactive and reactive.



Case study **Recovery of fraud losses**

A council employee was illegally paid to provide confidential contract information.

The employees' responsibilities included awarding council contracts for ICT equipment. The employee introduced two new suppliers to the tender list, subsequently advising them of tender submissions by competing companies.

This enabled the two companies concerned to underbid competitive rivals to secure the contracts.

The fraud was identified as a result of information from an anonymous informant.

The employee was dismissed and subsequently found guilty under the Fraud Act and sentenced to two years' imprisonment.

The council successfully obtained a confiscation order under the Proceeds of Crime Act for £75,000 which was the amount the employee had illegally been paid.

Source: Audit Commission (2014)

Proactive investigations

These are intelligence led, making use of information from profiling or data-matching exercises.

A common example of this type of investigation would be where the authority was looking to identify people defrauding the council tax single person discount (SPD) scheme.

A household with only one adult is entitled to a 25 per cent discount on their council tax. Checking council tax records against the electoral role can identify cases where a person claims to be living alone is actually living with another adult. This type of data matching is legal and very effective in finding errors or frauds.

National Fraud Initiative (NFI)

The National Fraud Initiative (NFI), coordinated by the Cabinet Office matches electronic data within and between public and private sector bodies to help prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

Participation in the NFI is mandatory for councils who are required to submit data to the National Fraud Initiative on a regular basis.

Reactive investigations

These involve the search for and the gathering of evidence following an allegation or fraud referral, or the discovery of a set of circumstances which amount to an offence. In these cases, the offence is usually already being committed.

An example would be where a member of the public contacts a council to inform them that one of their council tenants is unlawfully sub-letting their council property.



Case study

London Borough of Harrow and Luton Borough Council (NFI 2012/13 exercise)

A payroll-to-payroll match identified an employee who was working full-time in a middle management position, in addition to a part-time night care worker role dealing with vulnerable adults. During the investigation it was established that some weeks she worked in excess of 70 hours, potentially placing vulnerable adults at risk.

There was a suspicion that she had been able to work both shifts on a weekly basis by sleeping whilst at work and the information shared between councils showed that she regularly breached the Working Time Regulations.

After investigation, she was found guilty and dismissed for gross misconduct by one authority and subsequently disciplined by the other for breaching the Working Time Regulations, but later resigned from the role.

This case study comes from the official Cabinet Office NFI pages and is one of many case studies to be found there. They make interesting reading. You may very well find one from your council there. Take a look.

www.gov.uk/government/publications/national-fraud-initiative-case-studies/nfi-public-sector-case-studies

In these cases a professionally qualified investigator, will carry out an investigation that could have some or all of the following components:

- evidence gathering
- interviewing witnesses and taking statements
- interviewing the alleged perpetrator
- preparing the case for court
- giving evidence at court.

The challenges faced by councils in dealing with fraud and corruption

There are a number of challenges facing councils and their ability to effectively tackle fraud and corruption and to manage the risk it poses.

Public sector budget reductions

The impact of budget reductions has a three-fold effect:

- less resources to maintain administrative procedures that prevent fraud
- potentially reduced resources for investigating fraud
- the risk of greater fraud activity by professional criminals or opportunists who identify local authorities as more vulnerable.

These challenges have led to innovative thinking on ways of approaching the fraud and corruption risks such as joint working with other authorities or other public bodies and data sharing (such as the London Counter Fraud Hub). The best and most forward thinking councils use budget constraints as the impetus to drive forward the robust recovery of losses and other criminal assets which can and do lead to significant financial rewards.

Some councils who employ successful financial investigators generate income by charging other organisations such as housing associations for investigative services.



Case study

Example of joint working

The Metropolitan Police's Serious and Organised Crime Command has successfully collaborated with financial investigators from several London borough councils. There are currently nine Metropolitan Police Criminal Finance Teams set up as hubs – four in the north, four in the south and one central team – that are instrumental in training and mentoring several council investigators working together to tackle serious and organised acquisitive crime. The focus of this relationship is to recover assets and ensure that criminals do not benefit from criminal activities.

Abiding by the rules

In dealing with fraud, councils need to abide by the rules in order to ensure that frauds they detect and investigate can be pursued to the most appropriate conclusion. The rules protect the rights of individuals to privacy and the right to a fair trial. Although there are frequent stories in the press about councils 'snooping' on people, the rules are in fact very strict.

For example:

Regulation of Investigatory Powers Act (RIPA) 2000

This was brought in to regulate the powers of public bodies who carry out surveillance and investigation and also to cover the interception of communications. Councils have access to some of these powers for the purpose of prevention and detection of a crime.

More sophisticated frauds

The landscape of fraud and corruption is ever-changing, especially with the use of technology and the internet. Fraudsters never rest on their laurels and are always looking for new ways to defraud. This means councils are constantly exposed to different threats and managing this risk can be extremely difficult so it's extremely important that the investigators keep abreast of emerging risks and trends and share this across the council, but in particular with key teams such as payments.

The advent of 'cyber crime', whether or not it involves fraud, is probably one of the biggest challenges facing public bodies today.

Publicising success

While it may be embarrassing for any organisation, especially a local council, to admit that it has been the victim of fraud, experts would say that publicising successful investigations, where possible, is much the best policy. When a case ends up in court it will in any case become public. Proactive publicity shows residents and taxpayers that you are taking active steps to protect their interests and it may deter future fraudsters. Press and media teams can help to make sure the message is seen in a positive light.

Section 4 Fraud risk management

This will be more relevant if you have special responsibility for audit, risk or governance.

Risk management is essential for good governance within any organisation and effective fraud risk management is a vital part of that.

If you have a special responsibility as a councillor for audit, risk or governance, you will need to ensure that your council has appropriate arrangements in place to manage the risk of fraud.

All councils have faced and are still dealing with increased pressure on their budgets meaning that the requirement to identify fraud and reduce risk is perhaps higher now than it's ever been.

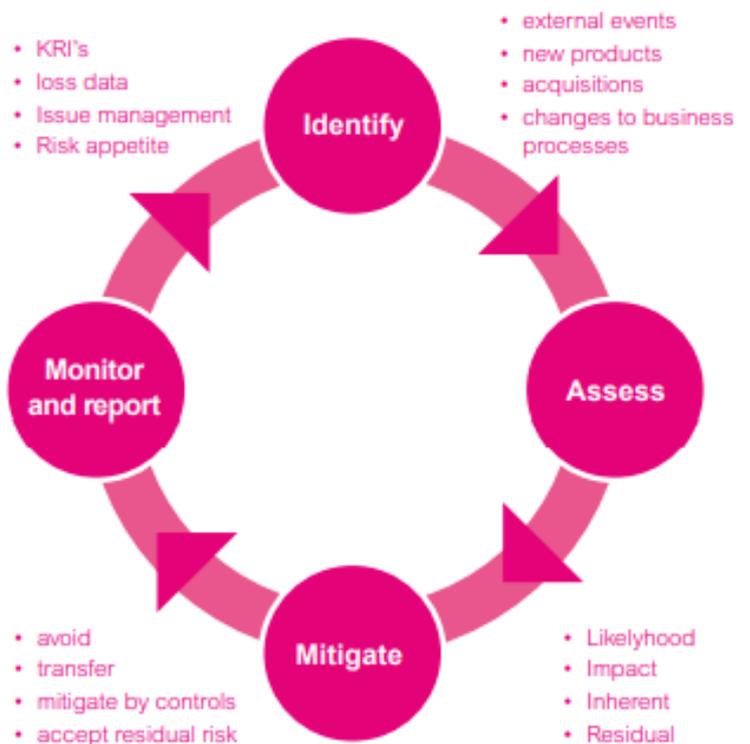
The CIPFA code of practice on the management of fraud risk sets out the expected standard for public bodies in the management of fraud risk.

Implementing an effective fraud risk management framework, such as the CIPFA code of practice, will enable authorities to employ controls that help to prevent fraud from occurring in the first place, identify and detect fraud as soon as it occurs and enable a practical and efficient response to those fraud incidents. Fraud risks need to continually reviewed and managed, in the same way that other risks are managed within a council. The identification, assessment, mitigation and monitoring of risk (including fraud risks) is called the risk management lifecycle. The process works as such:

 **Hints and tips**
Code of practice principles

Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management. The five key principles of the code are to:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.



To help ensure that the fraud risk management is effective, it's important that the roles and responsibilities of all employees, members and those who act on behalf of the council are understood by all. The list below is not exhaustive but the main roles can be summarised as follows:

Councillors

- ✓ Have and maintain an understanding of fraud risks
- ✓ Understand the key principles of risk management
- ✓ Consider fraud risk in relation to the decision making process

Directors

- ✓ Support the council's fraud risk management strategy
- ✓ Set the appropriate tone with regards to the council's anti-fraud and corruption approach
- ✓ Ensure that there is a coordinated and consistent approach to the identification and management of fraud risk

Senior managers/service heads

- Ensure that fraud risks are appropriately managed and implement effective review and monitoring arrangements
- Manage risk in their service areas in accordance with the fraud risk management strategy

Internal audit/corporate fraud team

- ✓ Consider the council's fraud risk assessment when developing the annual audit plan
- ✓ Audit the internal fraud control processes across the authority
- ✓ Coordinate and/or conduct fraud and corruption investigations
- ✓ Assess the effectiveness of fraud prevention and detection processes
- ✓ Provide assurance to councillors and senior management of the effectiveness of fraud risk management and controls

All staff

- ✓ Have a basic understanding of fraud risks and be aware of indicators
- ✓ Manage fraud risk in the course of their daily duties
- ✓ Read, understand and have access to fraud related policies and procedures
- ✓ Contribute towards the development of fraud control processes
- ✓ Report suspicions of fraud and corruption
- ✓ Cooperate with investigations

The development and implementation of a robust fraud risk management program will reduce the opportunities for fraudsters to exploit. This, coupled with encouraging employees to actively participate in the fight against fraud will contribute significantly to the creation of a strong anti-fraud culture; helping to change the attitude towards fraud so that it is not tolerated and therefore reducing the risk of fraud happening in the first place.

Fraud risk assessment

The basis of an effective fraud risk management program begins with a Fraud Risk Assessment (FRA).

Councils are likely to face a wide variety of fraud and corruption risks and so a FRA will help the council to understand and identify the risks that are specific to the organisation as a whole as well as those that relate to individual service areas. It will also highlight gaps or weaknesses in fraud controls allowing the council to implement a plan to ensure the best use of resources in order to tackle those risks.

When conducting a FRA the questions that should be considered are:

- How could a fraudster exploit weaknesses in the current system controls?
- How might those controls be over-ridden or by-passed?
- How could the fraudster conceal their activities?

Bearing the above in mind, an effective FRA should generally consist of three main elements:

- **Identification of the fraud risk**
This will involve the gathering of information to highlight the fraud risks that could affect the council.
- **Assess the likelihood and impact of the fraud risk**
This assessment is based on historical information, and discussions/interviews with heads of services and other relevant staff.
- **Develop a response to those that present the highest risk**
Decide how best to respond to the fraud risks.

What good looks like – the Fighting Fraud and Corruption Locally Strategy



Turning strategy into action

The themes – Six Cs

Councils should consider their performance against each of the six themes that emerged from the research conducted.

Culture – creating a culture in which beating fraud and corruption is part of daily business.

Capability – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.

Capacity – deploying the right level of resources to deal with the level of fraud risk.

Competence – having the right skills and standards.

Communication – raising awareness, deterring fraudsters, sharing information, celebrating successes.

Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.



Useful links

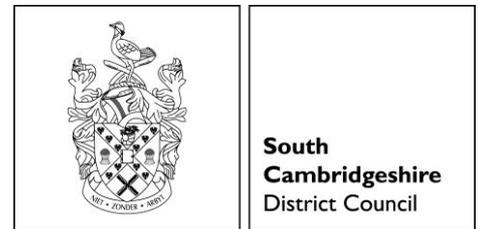
Managing the risk of fraud and corruption

www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-managing-the-risk-of-fraud-and-corruption-guidance-notes-hard-copy

In addition to the Code of Practice the Fighting Fraud and Corruption section of the CIPFA website provides a range of free resources to support councils in their fight against fraud, such as leaflets and posters and a good practice bank: www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally

In addition to the above, the CIPFA code of practice on managing the risk of fraud (see section 4) is there to support organisations putting in place counter fraud arrangements for the first time but will also be of benefit to those seeking to assess whether existing arrangements are adequate. Councillors may wish to ascertain whether the arrangements in their own council compare favourably with the recommended best practice approach.

Agenda Item 9



REPORT TO: Audit & Governance 1 December 2021

LEAD CABINET MEMBER: Councillor John Williams,
Lead Cabinet Member for Finance

LEAD OFFICER: Peter Maddock, Head of Finance

MID YEAR 2021/2022 TREASURY MANAGEMENT REPORT

Executive Summary

1. This report outlines the mid-year treasury management report to 30 September 2021, including performance against the approved Prudential Indicators for Treasury Management.

Key Decision

2. This is not a key decision as there are no resource implications directly arising from the report at this stage.

Recommendation

3. **That Committee is invited to review the Treasury Management activity and performance for the period to 30 September 2021.**

Reason for Recommendation

4. To review the Treasury Management activity and performance for the period 1 April 2021 to 30 September 2021.

Details

Treasury Management Strategy

5. The Council's Treasury Management Strategy and prudential indicators for 2021/2022 were approved by Full Council on 23 February 2021. The revised version took into account the changes to the rules affecting local authorities borrowing from the Public Works Loan Board (PWLB) introduced by HM Treasury from 26 November 2020. The main purpose of the changes was to restrict the ability of local authorities to borrow for pure investment in commercial property.
6. As part of the Council's Mid-Year Review, the Treasury Management Policy Statement and Treasury Management Strategy for 2021/2022 have been reviewed with regard to their compliance to the CIPFA Prudential Code and the CIPFA Treasury Management Code. They have also been reviewed to ensure their appropriateness in light of the Council's current investment and borrowing portfolios, and the ongoing delivery of the Council service objectives and, following review, they have been found to be appropriate and there are no changes required.

7. In line with established practice, it is intended that a full review of the Treasury Management Policy and Treasury Management Strategy Statement will be presented to Cabinet and Council as part of the 2022/2023 budget determination process.
8. The economic landscape has continued with a degree of uncertainty and volatility during 2021, with the impact of the UK withdrawal from the European Union on 31 January 2020, and the ongoing financial challenges as a result of the Coronavirus pandemic (COVID-19) acting as a dampener to forecast growth and inflation expectations. Buoyed by the easing of virus containment measures and the bounce back of consumer spending, and with the vaccination programme now well advanced, the prospects for economic growth and robust recovery are now more encouraging. But we maintain a cautious approach given the level of uncertainty.
9. In response to the prevailing economic conditions the Bank of England Base Rate has been maintained at 0.1% since its reduction from 0.25% on 19 March 2020. The Government also introduced and has continued a number of financial measures that sought to help businesses survive the crisis caused by the Coronavirus pandemic, including the Coronavirus Job Retention Scheme (Furlough Scheme) which was extended to 30 September 2021. The withdrawal of the Government support packages could impact recovery (e.g. a rise in the level of insolvencies, ability to pay etc) and the effect on Council services, and income and expenditure levels, will need to be fully taken into account as part of the 2022/2023 budget setting process.
10. Any borrowing/investment exposes an organisation to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is, therefore, central to the Council's treasury management strategy This report covers the treasury management activity for the period 1 April 2021 to 30 September 2021 and the associated monitoring and risk management.
11. Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Ministry for Housing, Communities & Local Government (MHCLG) published its revised investment Guidance which came into effect from April 2018. The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.
12. The updated Prudential Code included a new requirement for local authorities to provide a Capital Strategy, which is to be an overarching document approved by Full Council. The Council's Capital Strategy was considered and approved by Full Council on 23 February 2021 and is being reviewed as part of the 2022/2023 budget process.

Investment Activity

13. As at 30 September 2021, the Council held £118.5 million of invested funds (nominal basis), representing income received in advance of expenditure plus balances and reserves held. The Council's investment balances during 2021/2022 have averaged £113.4 million over the year.
14. The Statutory Guidance on Local Government Investments in England, issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003, gives priority to security and liquidity and the Council's aim is to achieve a yield consistent with these key principles.

15. The portfolio has been managed throughout 2021 on the basis that there would be an external borrowing requirement for capital expenditure. In the period to 30 September 2021 there have been commercial investments made at Cambourne Business Park with a value of £13.5 million and, in addition, further loans of £2.8 million have made to Ermine Street Housing. This has been covered by current cashflows. Projected cashflows indicate further external borrowing will be required in the second half of the year. Short term borrowing began in November 2020. This has allowed the Council to increase its allocation to higher yielding Ermine Street Housing loans. The remainder of the portfolio has been held in short term liquid money market funds and fixed deposits with other Local Authorities, Banks, Building Societies and a Housing Association.
16. The table below shows the opening balances of investments held at the beginning of the financial year and the movements on each fund up to 30 September 2021:

Investment Counterparty	01 April 2021	New	Matured	30 Sept 2021
Short Term:	£000	£000	£000	£000
Banks – Call/Liquidity Accounts	6,265	90,515	(87,955)	8,825
AAA Rated Money Market Fund	0	36795	(34,795)	2,000
Clearing Banks	14,000	5,000	(9,000)	10,000
Other Banks	0	1,000	0	1,000
UK Local Authorities	0	14,000	(12,000)	2,000
Building Societies	0	74,460	(74,460)	0
Housing Associations	5,000	2,500	(2,500)	5,000
Total Short-Term Investments	25,265			28,825

Investment Counterparty	01 April 2021	New	Matured	30 Sept 2021
Long Term:	£000	£000	£000	£000
South Cambs Ltd	83,993	2,797	0	86,790
Cambridge Leisure and Ice	2,400	0	0	2,400
Cambourne Town Council	0	500	0	500
Total Long-Term Investments	86,393			89,690

Total Investments	111,658			118,515
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17. The upward movement in value of £6.9 million is due to the reasons reflected in paragraph 15 above.
18. The most significant movements in the portfolio are an increase of £2.6 million placed on Call accounts, £2m on Money Market Funds, £2m with a Local Authority and a further £2.8 million loaned to Ermine Street Housing. A more detailed analysis of the investment portfolio as at 30 September 2021 is shown at **Appendix A**.
19. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving low investment income.
20. In order to achieve these objectives, the Council's portfolio is diversified. The majority of the portfolio is invested in fixed deposits where Financial Institutions return 0.30%

and Ermine Street Housing returns 3.71%. Liquidity assets typically return 0.05%. This has to 30 September 2021 generated the Council a blended return of 2.86%.

21. This has been achieved whilst maintaining a low level of credit risk. Counterparty credit quality is assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating is [A-] across all major agencies); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. This is shown below.

	Weighted Average Risk Number	Investment Portfolio	Bail-In Exposure		Average Balance	Rate of Return
			£000	£000		
30 September 2021	4.62	118,515	18,825	15.9	113,449	2.86
31 March 2021	5.20	111,658	21,265	19.0	108,395	2.95

22. The table also shows how the Council's exposure to Bail in Risk has reduced in year as the portfolio has diversified.

Borrowing Strategy

23. As at 30 September 2021, the Council held £205.123 million of long term debt (principal borrowed, excluding lease liabilities), no change on 31 March 2021. The Council held £44 million of short-term debt at 30 September 2021.
24. Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained low and are likely to remain at these levels over the forthcoming two years, the Authority has determined it is more cost effective in the short-term to use internal resources instead of external borrowing.
25. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Link Asset Services (Treasury Management Advisers) assist the Council with this 'cost of carry' and breakeven analysis.

Borrowing Activity

26. As at 31 March 2021 the Council had short-term local authority borrowing of £44 million in addition to £205.123 million of PWLB loans for HRA self-financing. The table below sets out the movement in the Council's borrowing over the year to date. The Capital Financing Requirement (CFR) is unchanged in the six-month period to 30 September 2021.

	01/04/2021	Maturing Debt	Interest Paid	Lease Payments	CFR Movement	30/09/2021
	£000	£000	%	£000		£000
CFR	336,734				0	336,734
Short Term Borrowing (a)	44,000	0	0.65	0		44,000
Long Term Borrowing (b)	205,123	0	3.51	0		205,123
Total Borrowing (a+b)	249,123	0	0	0		205,123
Other Long Term Liabilities (c)	0	0	0	0		0
Total External Debt (a+b+c)	249,123	0	2.86	0		249,123

PWLB Certainty Rate and Project Rate Update

27. Authorities are required to notify DLUCH of any potential future borrowing and in order to obtain the 'Certainty Rate' (0.20% below the PWLB standard rate) the Council has submitted an application to borrow at this rate until 31 March 2022. There is no penalty if the facility is not used.

Debt Rescheduling

28. The premium charge for early repayment of PWLB debt has become very expensive for the loans in the Council's portfolio and, therefore, unattractive for debt rescheduling activity. As a consequence, no rescheduling activity has been undertaken.

2021/2022 Budget Monitoring

29. The Finance Team monitor and report on the Capital Financing budget on a regular basis. The latest position as at 30 September 2021 is shown in the table below:

	Current Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Interest Payments	1,205	229	(976)
Minimum Revenue Provision	1,363	1,360	(3)
Total Expenditure	2,568	1,589	(979)
Investment Income	(3,281)	(3,351)	(70)
Commercial Property Rental Income	(2,360)	(1,680)	680
Total Income	(5,641)	(5,031)	610
Net Budget	(3,073)	(3,442)	(369)

30. Interest Payments are forecast to be lower than originally budgeted as the expectation of long-term borrowing during the year will not be required, due to higher investment balances and use of short-term borrowing in the near term.

- 31. Minimum Revenue Provision forecast outturn is in line with estimate with a very small saving expected.
- 32. Investment Income is forecast to come in ahead of budget. Although rates with Banks and Money Market funds are at historic lows, this has been balanced by further lending to Ermine Street Housing. Ermine Street Housing continues to make a significant contribution, with a slightly higher forecast outturn of £3.226 million versus original forecast of £3.166 million as Ermine Street Housing completes its acquisition programme. The income from the Commercial Property portfolio in the financial year will be lower than budgeted, in part due to vacant areas which are being marketed. The other factor is the change to the investment strategy away from acquisitions for yield to regeneration projects, due to the change in the PWLB borrowing rules meaning that we have invested less than planned. Overall, income is expected to exceed budget by £0.369 million as a result of lower borrowing costs.

External Economic Impact on Portfolio

- 33. The external economic context and market rate data is referenced in the Treasury Advisers report reproduced at **Appendix B**.
- 34. In response to the prevailing economic conditions the Bank of England Base Rate has been maintained at its record low of 0.1% since its reduction from 0.25% on 19 March 2020. This low rate has decreased the return on the Council’s Money Market Fund holdings and gives a reduced return on maturing deposits when reinvested.

Compliance with Performance Indicators

- 35. The Council has been compliant with the 2021/2022 Prudential Indicators approved by Full Council on 23 February 2021 except where indicated. All exceptions are due to the high levels of investments held in short term money market funds and overnight bank accounts.
- 36. The Council measures and manages its exposures to treasury management risks using the following indicators:
- 37. Performance against prudential indicators in 2021/2022 is as follows:

(1) Interest Rate Exposure: This indicator is set to control the Council’s exposure to interest rate risk. The upper limits on fixed and variable interest rate exposures are set out in the table below:

Maturity structure of borrowing	Under 12 months	More than 12 months	Under 12 months - Actual	More than 12 months - Actual
Upper limit for fixed interest rate exposure	100%	100%	100%	100%
Upper limit for variable rate exposure	100%	0%	0%	0%

(2) Maturity Structure of Borrowing: The structure of the Council's borrowing is set out below.

Fixed Rate Borrowing		
Lender	Repayable within	Amount £,000
Local Authorities	<12 Months	19,000
Local Authorities	>12 Months <2 years	25,000
PWLB	10 – 15 years	5,000
PWLB	15 – 20 years	50,000
PWLB	20 – 25 years	50,000
PWLB	25 – 30 years	50,000
PWLB	30 – 35 years	50,123

(3) Principal Sums Invested for Periods Longer than 364 Days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The Council takes in consideration the advice of its Treasury Advisers when determining the duration of investments with financial institutions (excluding Ermine Street Housing and Cambridge Leisure and Ice Centre) The suggested duration for our counterparties are:

Counterparty	Suggested maximum duration	Actual duration	Total investments £000
Local Authorities	5 years	182 days	2,000
Close Brothers	6 months	183 days	1,000
Places for People ¹	N/A	364 days	5,000
Santander	6 months	35 days notice	10,000

¹ Not assessed by the Council's appointed Treasury Advisers

(4) Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by maintaining a minimum £7 million working cash balance (total investment balance less loans to Ermine Street Housing and Cambridge Leisure & Ice). This liquidity is available to meet unexpected payments without additional borrowing.

Counterparty Type	Amount £000	% of Portfolio at 30 September
Long term (>1yr)		
Ermine St Housing	86,790	73
CLIC + Cambourne Town Council	2,900	2
Total Long term	89,690	75
Short term (<365 days)		
Banks (Clearing)	18,825	16
Other Banks	1,000	1
Housing Assoc.	5,000	4
Local Authorities	2,000	2
Money Market Funds	2,000	2
Short Term (Working Cash Balance)	28,825	25

Outlook for Quarter 4 2021/2022

38. The Council will continue to make acquisitions under the Investment Strategy and make further loans to Ermine Street Housing. The Council will receive minimal receipts from Council Tax and National Non-Domestic Rates during February and March 2021 and has £19 million of short term loans to be repaid in the second half of the year. It is forecast that £40 million in new short term loans will be required to externalise our internal borrowing. The expected outturn on short term borrowing is £65 million.
39. The view is that the UK economy still faces a challenging outlook as the Government continues to respond to the country's exit from the European Union and the economic conditions caused by COVID-19.

Implications

40. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Legal

41. It is a statutory duty, under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to approve a range of prudential indicators as part of its approval of the General Fund Revenue Budget and Capital Programme.
42. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).

Policy

43. There are no specific policy implications associated with the recommendations contained in this report. The Chartered Institute of Public Finance & Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the CIPFA Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities 2017 (as amended) have been used in the preparation of this report.

Finance

44. There are no new resource implications associated with the recommendations contained in this report.

Risks

45. There are no specific risk implications associated with the recommendations contained in this report.

Environmental

46. There are no specific environmental implications associated with the recommendations contained in this report.

Equality and Diversity

47. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.
48. A relevance test for equality has determined that the activity has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality impact assessment is not needed.

Effect on Council Priority Areas

49. Timely and robust consideration of the Council's treasury management activities is vital to ensure that financial performance is in line with expectations.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Medium Term Financial Strategy – Report to Cabinet: 7 December 2020
- Medium Term Financial Strategy – Report to Council: 23 February 2021
- General Fund Budget – Report to Cabinet: 3 February 2021
- General Fund Budget – Report to Council: 23 February 2021
- Treasury Management Strategy – Report to Cabinet: 3 February 2021
- Treasury Management Strategy – Report to Council: 23 February 2021

Appendices

- A Schedule of Investments as at 30 September 2021
- B Treasury Management Adviser – External Economic Context and Market Rate Data

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Appendix A – Schedule of Investments as at 30 September 2021

	Amount	Interest	Total	Term	Rate	Maturity Date
	£000	£000	£000	Days	%	
Counterparty						
Barclays FIBCA (Call ac)	8,825		8,825	Overnight	0.05	01/10/2021
Federated Cashplus (MMF)	2,000		2,000	T+1	0.05	02/10/2021
Santander 35d Notice ac	10,000		10,000	35	0.25	05/11/2021
Slough Borough Council	2,000	1.995	2,002	182	0.20	07/10/2021
Places for People	1,000	2.521	1,003	184	0.50	26/11/2021
Places for People	2,500	19.534	2,520	547	1.55	31/12/2021
Places for People	1,500	3.781	1,504	184	0.50	05/01/2022
Close Brothers	1,000	1.253	1,001	184	0.25	31/12/2021
Ermine Street Housing	82,588				3.85	Various
Ermine Street Housing	4,202				1.00	Various
Cambridge Leisure & Ice	2,400			25 Years	4.31	31/03/2043
Cambourne Town Council ¹	500					TBC
Total	118,515					

¹ Interest will be charged when the loan is repaid and will be at an equivalent rate to that required to recoup the Council's debt management costs in relation to this loan.

Appendix B – Treasury Management Adviser – External Economic Context and Market Rate Data

Economics Update

MPC meeting 24.9.21

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, **the MPC had been prepared to look through a temporary spike in inflation.**
- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to **faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement;** this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
 1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

US. See comments below on US treasury yields.

EU. The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time. German general election. With the CDU/CSU and SPD both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SPD-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

China. After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

Japan. 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

Supply shortages. The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they

are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

Interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 29th September 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View 29.9.21										
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24.

Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1st October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ruptures in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

Gilt and treasury yields

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden's, and the Democratic party's determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour and supply bottle necks is likely to stoke inflationary pressures more in the US than in other countries.
4. And the Fed was still providing monetary stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries. This could then force the Fed to take much earlier action to start tapering monthly QE purchases and/or increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that some Fed members have moved forward their expectation of when the first increases in the Fed rate will occur in recent Fed meetings. In addition, more recently, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of strong monthly jobs growth figures could be enough to meet the threshold set by the Fed of "substantial further progress towards the goal of reaching full employment". However, the weak growth in August, (announced 3.9.21), has spiked anticipation that tapering of monthly QE purchases could start by the end of 2021. These purchases are currently acting as downward pressure on treasury yields. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards in the US will invariably impact and influence financial markets in other countries. However, during June and July, longer term yields fell sharply; even the large non-farm payroll increase in the first week of August seemed to cause the markets little concern, which is somewhat puzzling, particularly in the context of the concerns of many commentators that inflation may not be as transitory as the Fed is expecting it to be. Indeed, inflation pressures and erosion of surplus economic capacity look much stronger in the US than in the UK. **As an average since 2011, there has been a 75% correlation between movements in 10 year treasury yields and 10 year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

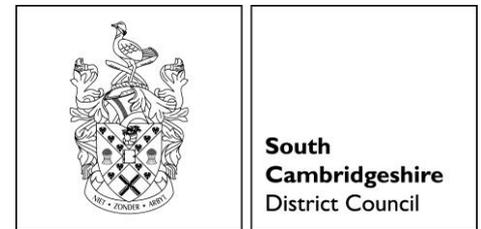
A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary

policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Agenda Item 10



REPORT TO: Audit & Governance 1 December 2021

LEAD CABINET MEMBER: Councillor John Williams,
Lead Cabinet Member for Finance

LEAD OFFICER: Peter Maddock, Head of Finance / Anne Ainsworth, Chief
Operating Officer

NOVEMBER 2021 RISK REGISTER

Executive Summary

1. This report outlines the current processes for managing risk for the Local Authority and proposals to further improve risk management across the Council.

Key Decision

2. This is not a key decision as there are no resource implications directly arising from the report at this stage.

Recommendation

3. **That Committee is invited to review the Strategic Risk Register for the Council as of November 2021 and consider whether Committee would like to see the Strategic Risk Register on a twice-yearly basis.**

Reason for Recommendation

4. To review the Council's current Strategic Risk Register and Risk Management processes.

Details

5. The Council operates a Risk Management System called 4Risk. This is an electronic platform that allows the Strategic Risk Register to be updated by each Risk Owner directly within the system.
6. Currently risks are inputted and managed depending on whether they are a Strategic Risk or a Service Risk. There is also the option to more fully explore individual project risks within the system that cut across services. It is intended that this will be developed in the new year.
7. Risk holders are prompted to update their Risks quarterly. However, we need to further embed the management of risk across the organisation, so that risks which may be dynamic (risks related to the economy or national policy for example) are updated as required. This will be done by including a regular item on risk as part of the regular Council Management Team meetings, and monthly updates to Leadership Team.

8. The 4Risk system will produce reports depending on whichever parameters are inputted. The Risk Register attached to this report, is a document produced by the system when looking at high level strategic risks.
9. In line with good practice, we would suggest that Audit Committee review the Strategic Risk register for the Council twice annually.

Implications

10. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Legal

11. There are no legal implications arising from the report.

Policy

12. It is Council policy to review all risks on a regular basis and use the 4Risk system to report risks and mitigations as appropriate. It is suggested that Audit Committee consider reviewing the Strategic Risk Register twice annually.

Finance

13. There are no new resource implications associated with the attached Risk Report. Some of the Risks outlined in Appendix A would have financial implications if the risk is not mitigated as outlined.

Risks

14. The report includes as an Appendix, the Strategic Risk Register as at November 2021.

Environmental

15. There are no specific environmental implications associated with this report.

Equality and Diversity

16. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.
17. Action to manage risk is in line with South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation.

Effect on Council Priority Areas

18. Timely and robust consideration of the management and identification of risk is vital to the effective delivery of the Council's Business Plan.

Appendices

A SCDC Strategic Risk Report November 2021

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APPENDIX A – STRATEGIC RISK REGISTER (NOVEMBER 2021)

Risk Title	Risk Cause and Effect	Current Risk Rating	Risk Control/Mitigations	Further Actions (as required)	Residual Risk
IT Infrastructure Failure Head of Service (HoS): Jeff Membery Risk Owner (RO): Alex Young	Major IT failure of infrastructure and systems - leading to complete loss of service and network connectivity in one or more service areas across SCDC, resulting in potential to miss statutory obligations, risk to vulnerable residents; incurring financial penalties, and reputational damage.	16	<ul style="list-style-type: none"> • Appropriate investment in IT • Business Continuity plans updated and exercised, including with 3C partner councils • Council Anywhere working across Multiple Sites • Independent Penetration/Resilience testing undertaken as part of PSN compliance • Emergency upgrade arrangements in place 	<ul style="list-style-type: none"> • Investment in the Data Centre • Review the Business Continuity Plans to reflect agile working • PEN tests regularly undertaken and reviewed, driving new action plans 	8
Northstowe Civic Hub and other Community Buildings HoS: Peter Campbell RO: Kirstin Donaldson	Risk of project failure to deliver on time and to budget. This could lead to additional costs; reputational damage and/or delays to service and community provision.	16	<ul style="list-style-type: none"> • Commissioned external advisers (Civic) to produce blueprint for the Civic Hub • Considering community Centre as part of the development of the town centre and EZ rather than a stand alone project. Working with external advisors. • Regular monitoring of project 	<ul style="list-style-type: none"> • Consideration of S106 contributions • Potential for investment in the Civic Hub to be further explored 	12
Flooding HoS: Bode Esan RO: Michael Parsons	Periods of heavy rain can cause surface water saturation and rising ground-water and river-levels. Potential for houses, businesses and infrastructure to flood, resulting in people forced to leave their homes and disrupting communities and damaging the local economy/water and food supplies. SCDC services are interrupted as staff are diverted to manage emergency response.	16	<ul style="list-style-type: none"> • Local Plan policies and Sustainable Environment • SPD address flood reduction and mitigation • Parishes supported to have own Emergency Plans and resources • SCDC is active in CPLRF • SCDC practices its Emergency Plan and Business Continuity Plan responses • Sandbag service provided by Greater Cambridge • Shared Waste Service 	<ul style="list-style-type: none"> • Annual inspections of award drainage system to ensure that the awarded watercourse network can transfer maximum levels of surface water. 	12

	Extreme weather incidents are rising due to the climate crisis and likely to continue in the short term.				
Audit of Accounts HoS: Peter Maddock RO: Farzana Ahmed	On going issues with the completion and audit of accounts. 2018/19, 2019/20 and 2020/21 are all still outstanding.	16	<ul style="list-style-type: none"> • Additional dedicated temporary resources with a proven track record have been employed to carry out the process of getting the accounts up to date • Regular progress monitoring including regular catch up meetings. • Clear plan with timescales now in place to achieve catch up. 	<ul style="list-style-type: none"> • Further training requirement to get finance team up to speed with all accounting requirements • Regular liaison with Auditors to understand their requirements as they change 	12
Partnership Working – Infrastructure HoS: Stephen Kelly RO: Stephen Kelly	Delivery of key infrastructure across Greater Cambridge is critical to implementation of the Council's Local Plan, and improved transport and infrastructure for the public	16	<ul style="list-style-type: none"> • Close working with partners at Cambridge and Peterborough Combined Authority and Greater Cambridge Partnership 	<ul style="list-style-type: none"> • Close collaboration on consultations emanating from CPCA, GCP and GCSPS to ensure project outcomes are aligned. 	10
Cyber Security HoS: Jeff Membery RO: Jeff Membery	Risk of having data stolen and held to ransom – potential data breach for residents with sensitive data. Includes medical history and bank details and family history. Implications, legal, financial, reputation	12	<ul style="list-style-type: none"> • Looking at implementing a cyber security team • Most of the Council is on Single Sign-on • Having strong and effective passwords 	<ul style="list-style-type: none"> • Currently reviewing best practice in terms of password settings • Strengthening dual factor authentication 	8
Failure to meet targets for building new affordable Council housing and failure to spend the right to buy receipts HoS: Peter Campbell RO: Kirstin Donaldson	Lack of experienced, commercial new-build development and project management skills, experience and capacity. Leading to failure to build enough new affordable homes each year and spend Right-To-Buy receipts.	12	<ul style="list-style-type: none"> • Council supports new HRA Borrowing freedoms • Well established systems in place to acquire properties from developers, target in recent years exceeded • Government Policy towards used of Right to Buy receipts has been relaxed, giving more time to spend 	<ul style="list-style-type: none"> • Opportunities arising from the Investment Partnerships being explored 	6

<p>Information Governance HoS: Jeff Membery RO: Jeff Membery</p>	<p>Failure to effectively manage information and data handling and retention, use of incorrect information and legal non-compliance. Leading to loss or corruption of data, inability to access or share data across services and with Partners. Limitations to service delivery, possible financial and legal penalties and reputational damage.</p>	<p>12</p>	<ul style="list-style-type: none"> • Policies, guidance in place • PSN compliance achieved • Staff resources. New Information Governance • Manager started Autumn 2021 <p>Corporate Training</p> <ul style="list-style-type: none"> • •Good practice • •IT Systems • •IT Security policies • •Document Storage • •GDPR and DPA compliance • Protocols & Sharing agreement Member awareness • Information Governance Group meeting regularly and assesses new risks 	<ul style="list-style-type: none"> • Moved from systems that store data outside of the UK 	<p>6</p>
<p>Housing delivery and maintaining a 5 year housing supply HoS: Stephen Kelly RO: Sharon Brown</p>	<p>Failure to meet targets in housing and affordable homes delivery, standards and design, or appropriately plan for new housing. Failure to address national changes in housing policies, and miss targets in local plan housing, as allocated in the local plan. Leading to lack of suitable housing for residents and high house prices. Lack of a 5 year housing land supply would expose the council to risk of losing control over development.</p>	<p>12</p>	<ul style="list-style-type: none"> • Annual monitoring of delivery against housing trajectory in Annual Monitoring Report (AMR) • Tracking of outline planning permissions through to implementation • Planning Performance Agreements (PPAs) in place for all strategic sites to set out agreed programmes and secure monies for staff. • Neighbourhood Planning Toolkit to enable parishes to develop local housing and design polices reflecting local circumstances • Tracking of delivery against Housing Delivery test • New Housing Strategy agreed by Cabinet in April 2019 • Major Sites Programme Board meeting every 2 months. 	<ul style="list-style-type: none"> • Implement an adequate workforce plan which addresses risk around difficulties in recruitment and retention of planners • Housing Strategy action plan progress to be reported to Cabinet on an annual basis • Careful ongoing monitoring of housing supply by the 5 YLS officer 	<p>8</p>

<p>Insufficient people resources and skills HoS: Anne Ainsworth RO: Jeff Membery</p>	<p>Council unable to recruit in a high employment area, national skills shortages in certain skills areas (HGV drivers, planners, environmental health officers, lawyers, project managers), high cost of living, inability to match market-place pay and package levels. Leading to staff shortages and a lack of suitable skills and capacity, resulting in an inability to deliver services and business plan. Negative impact on current staff.</p>	<p>12</p>	<ul style="list-style-type: none"> • Develop an adaptable and flexible workforce, with digital skills and agile working • Promote the Values and Behaviours of the SCDC workplace • Branding and selling South Cambs as an employer – • HGV publicity and Planning microsites • Develop career progression schemes in areas that are hard-to-fill • Diversity of work and development opportunities • Focus on personal and career development as part of PDRs • Good management and leadership (1:1s, PDR, etc) 	<ul style="list-style-type: none"> • Review Apprenticeship Strategy • Include recruitment and skills development within Service Reviews • New approach to hybrid-working proposed • Review the Job Evaluation Scheme 	<p>6</p>
<p>Brexit HoS: Anne Ainsworth RO: Jeff Membery</p>	<p>Increases in prices for goods and services; and potential supply chain issues leading to stockpiling, lack of materials, delays to projects and increased costs.</p>	<p>12</p>	<ul style="list-style-type: none"> • SCDC fully engaged in CPLRF Emergency Planning meetings and reporting arrangements locally • SCDC Heads of Service have assessed service and resident impacts. • Extra fuel ordered and stored for SCDC operations • Staff home locations mapped to support flexible deployment of officers in the event travel / fuel disruption • Being monitored at SCG Gold level along with other public services • Investment strategy takes consideration of potential effect of Brexit on the construction industry • Investment strategy considers impacts on property portfolio 	<ul style="list-style-type: none"> • Attend CPLRF Brexit Strategic Coordination Group and Tactical Coordination Group meetings. 	<p>12</p>

<p>Risk around carbon reduction for existing housing stock</p> <p>HoS: Peter Campbell RO: Eddie Spicer</p>	<p>Failure to meet carbon reduction target for existing Council housing stock with time and/or budget</p>	12	<ul style="list-style-type: none"> • Asset Management Strategy being developed • External report commissioned from Savills • Participate in Net Zero Collective to trial solutions. • Stock condition survey to be commissioned, with detailed business plan to follow. 	<ul style="list-style-type: none"> • Review of HRA business plan following completion of HRA AMS 	6
<p>Compliance risk for Council Housing</p> <p>HoS: Peter Campbell RO: Eddie Spicer</p>	<p>Compliance for housing is facing increasing scrutiny following the Grenfell tragedy and the subsequent white paper. There is a significant reputational risk of failure and the impact of the housing regulator being involved.</p>	10	<ul style="list-style-type: none"> • There is an increased focus on compliance within the new HRS asset management plan. • The new repairs contract increase more KPIs on compliance • The new service manager has carried out an audit of working practice • The Council will continue an independent audit of gas servicing. 	<ul style="list-style-type: none"> • Consideration of additional external audit or scrutiny of compliance activities. • Data quality checks to be introduced. 	4
<p>Financial position</p> <p>HoS: Peter Maddock RO: Farzana Ahmed</p>	<p>Government Spending reduces and business rates retention if changed, impacts on SCDC as a growth area. Economic growth reduces and so tax income to government reduces, impacting on the Local Government Settlement. PWLB restrictions prevent Council from implementing investment plans which would have generated commercial income. Cost of growth sees demand for services outstrip income from new business rates or Council tax.</p>	10	<ul style="list-style-type: none"> • Investment Strategy has yielded a good investment return, (Ermine Street and other commercial properties) • Budgeting cycle linked to Business Plan • Budget cycle for 22/23 well underway • New Economic Development Team in place bringing together Business Support and Commercial/Regeneration Investments • Staff and Member training • Delay of Fair Funding review has had a positive impact on 22/23 budget gap, creating a further year with to ensure transformation savings are delivered 	<ul style="list-style-type: none"> • Refresh Investment Strategy • Programme of Service Reviews to continue 	6

<p>Governance of Shared Services HOS: Anne Ainsworth RO: Jeff Membery</p>	<p>Ineffective and bureaucratic Shared Service decision-making processes are not open and transparent. Leading to lack of clarity of and Councillor involvement in what Shared Services are expected to deliver</p>	<p>10</p>	<ul style="list-style-type: none"> • Quarterly performance, finance and risk reviews undertaken by Shared Service Director Board with each Head of Shared Service. • Shared Service Agreement signed by all Councils • Governance structure has been in place for 3 years • Quarterly Shared Services Member-lead meetings • Joint Member Boards for Waste and Planning services 	<ul style="list-style-type: none"> • Governance arrangements currently under review to ensure they are fit for purpose moving forward 	<p>10</p>
<p>Organisational culture doesn't reflect organisational direction HOS: Liz Watts RO: Anne Ainsworth</p>	<p>Council is unable to reflect appropriate skills, behaviours and attitudes in Managers and Staff, leading to poor behaviour and poor working practice, ineffective use of resources, reputational damage, failure to deliver, loss of partner engagement, low retention and recruitment, poor Member-Officer, partnership working, and a lack of a joined-up approach. Possible intervention</p>	<p>8</p>	<ul style="list-style-type: none"> • Appraisal and performance management processes in place • Significant programme of engagement and communications across the council, including: Awards ceremony and Town Hall sessions, Weekly Vlogs from CEO and Leadership Team, Corporate Management Team (CMT) development/formal meetings and briefings, Insite opportunities to thank colleagues and celebrate excellence • Well-developed Comms strategy & engagement • A range of internal and external training opportunities for all staff funded through central budget • Good recruitment practices, including recent changes to support improved diversity (eg blind recruitment) • Inclusive & enabling organisational structure now well embedded • Regular Staff Survey 	<ul style="list-style-type: none"> • Further development of CMT through a programme of training events, some of which will be mandatory, and an expectation that every CMT member will attend a certain number of training sessions throughout the year • Development of Team Charters • Consideration of how to manage teams in a hybrid environment 	<p>6</p>
<p>Failure to meet carbon emission reduction target</p>	<p>Annual carbon emissions in 2024-25 exceed the target published in the Zero Carbon Strategy</p>	<p>8</p>	<ul style="list-style-type: none"> • Programme of projects which will result in reductions to carbon emissions, captured through the Council's Zero Carbon Strategy 	<ul style="list-style-type: none"> • Complete the Greening S Cambs Hall project • Waterbeach solar project 	<p>6</p>

HoS: Bode Esan RO: Siobhan Mellon				<ul style="list-style-type: none"> Gradual transition to electric waste vehicles 	
Organisational Review and Operating Model HoS: Jeff Membery RO: Jeff Membery:	The Council's operating model, organisational values, capabilities, and structure fail to deliver the Business Plan.	8	<ul style="list-style-type: none"> Engagement and comms plan for colleagues, Members and Partners in place Transformation Fund set up to resource change Programme Transformation projects and Board established to oversee delivery of objectives 	<ul style="list-style-type: none"> Restructure the review to separate out the Automation Project 	6
Lack of commercialisation skills HoS: Anne Ainsworth RO: Jeff Membery	Lack of the skills sets to make an impact with the private sector leading to poor decision making and identification of opportunities. Potential reputation damage.	8	<ul style="list-style-type: none"> New Economic Development Team established Support for CMT as a whole to think commercially Robust business planning activities Joint cross-service teams considering commercial opportunities 	<ul style="list-style-type: none"> Commercial skills and resource to be strengthened within the Economic Development Team. April 2022 	6
Impacts of Covid HoS: Liz Watts RO: Anne Ainsworth	Ongoing Covid related risks, including the ability to manage continuing Covid-related service demands as well as Business as Usual; the potential impact on staff sickness and performance levels; impact on residents and business needing help and support as Covid levels remain high.	6	<ul style="list-style-type: none"> Ongoing use of the remaining Covid Grant Funding to support our communities and businesses - including additional resource to manage increased demands on services resulting from the pandemic Weekly monitoring of staff sickness Continuing to be flexible across the workforce to deploy resources as needed, including agile working Pandemic related business support and advice being provided by the Business Support Teams Active Comms engagement to ensure information flows to communities, businesses, relevant groups and parishes in a timely manner Continuing to coordinate a network of covid support groups to try to mitigate the impact of the pandemic 	<ul style="list-style-type: none"> Internal Covid Gold Group continuing to meet fortnightly to review the ongoing and current demands of Covid and continue to be agile and flexible in our service delivery Reviewing best use of any remaining Covid recovery funding Cambridgeshire is currently an ERA and appropriate actions are being taken with the County and Peterborough SCG 	6

RAG Rating Key:

- Red is any strategic risk with a rating 11-20 (Likelihood x Impact)
- Amber is any strategic risk with a rating 6-10
- Green is any strategic risk with a rating of 5 or below