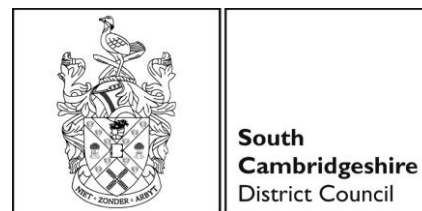


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23 November 2022

To: Chair – Councillor Michael Atkins
Vice-Chair – Councillor Peter Sandford
Members of the Audit and Corporate Governance Committee –
Councillors Jose Hales, Geoff Harvey, Helene Leeming, Richard Stobart
and Heather Williams

Quorum: 3

Substitutes: Councillors Mark Howell, Graham Cone, Sue Ellington,
Dr. Richard Williams, Bunty Waters, James Hobro, Dr Lisa Redrup,
Pippa Heylings and Stephen Drew

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 **Thursday, 1 December 2022 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 29 September 2022, as a correct record.		1 - 6

4.	November 2022 Risk Register	7 - 22
5.	Mid-year 2022/23 Treasury Management Report	23 - 38
6.	EY Update on 2019/20 Final Accounts	
7.	Update on the Final Accounts 2019/20	39 - 42
8.	Internal Audit: Governance Risk and Control Update	43 - 54
9.	Regulation of Investigatory Powers Act 2000 (RIPA) - Update on Use of RIPA	55 - 58

Information Items

- | | | |
|------------|-----------------------------------------------------------------------------------------------|--|
| 10. | Matters of Topical Interest | |
| 11. | Date of Next Meeting
Monday 12 December at 10 am, to sign off the 2019/20 accounts. | |

GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL

Notes to help those people visiting the South Cambridgeshire District Council offices

While we try to make sure that you stay safe when visiting South Cambridgeshire Hall, you also have a responsibility for your own safety, and that of others.

Security

When attending meetings in non-public areas of the Council offices you must report to Reception, sign in, and at all times wear the Visitor badge issued. Before leaving the building, please sign out and return the Visitor badge to Reception.

Public seating in meeting rooms is limited. For further details contact Democratic Services on 03450 450 500 or e-mail democratic.services@scambs.gov.uk

Emergency and Evacuation

In the event of a fire, a continuous alarm will sound. Leave the building using the nearest escape route; from the Council Chamber or Mezzanine viewing gallery this would be via the staircase just outside the door. Go to the assembly point at the far side of the staff car park opposite the staff entrance

- **Do not** use the lifts to leave the building. If you are unable to use stairs by yourself, the emergency staircase landings have fire refuge areas, which give protection for a minimum of 1.5 hours. Press the alarm button and wait for help from Council fire wardens or the fire brigade.
- **Do not** re-enter the building until the officer in charge or the fire brigade confirms that it is safe to do so.

First Aid

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

Access for People with Disabilities

We are committed to improving, for all members of the community, access to our 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. All meeting rooms are accessible to wheelchair users. There are disabled toilet facilities on each floor of the building. Infra-red hearing assistance systems are available in the Council Chamber and viewing gallery. To use these, you must sit in sight of the infra-red transmitter and wear a 'neck loop', which can be used with a hearing aid switched to the 'T' position. If your hearing aid does not have the 'T' position facility then earphones are also available and can be used independently. You can get both neck loops and earphones from Reception.

Toilets

Public toilets are available on each floor of the building next to the lifts.

Recording of Business and Use of Mobile Phones

We are open and transparent about how we make decisions. 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.

Banners, Placards and similar items

You are not allowed to bring into, or display at, any public meeting any banner, placard, poster or other similar item. Failure to do so, will result in the Chairman suspending the meeting until such items are removed.

Disturbance by Public

If a member of the public interrupts proceedings at a meeting, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman 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 Chairman may call for that part to be cleared. The meeting will be suspended until order has been restored.

Smoking

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

Food and Drink

Vending machines and a water dispenser are available on the ground floor near the lifts at the front of the building. You are not allowed to bring food or drink into the meeting room.

Declarations of Interest - Information for Councillors

DECLARATIONS OF INTEREST

As a Councillor, you are reminded of the requirements under the Council's Code of Conduct to register interests and to disclose interests in a meeting. You should refer to the requirements set out in the Code of Conduct which are summarised in the notes at the end of this agenda frontsheet.

Disclosable pecuniary interests

A "disclosable pecuniary interest" is an interest of you or your partner (which means spouse or civil partner, a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners) which falls within the categories in [Table 1 of the code of conduct, which is set out in Part 5 of the Constitution](#).

Where a matter arises at a meeting which directly relates to one of your disclosable pecuniary interests you must:

- disclose the interest;
- not participate in any discussion or vote on the matter; and
- must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

It is a criminal offence to:

- fail to notify the monitoring officer of any disclosable pecuniary interest within 28 days of election
- fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register
- fail to notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the register that you have disclosed to a meeting
- participate in any discussion or vote on a matter in which you have a disclosable pecuniary interest
- knowingly or recklessly provide information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

Other registerable interests

These are categories of interest which apply to the Councillor only (not to their partner) and which should be registered. Categories are listed in [Table 2 of the code of conduct, which is set out in Part 5 of the Constitution](#). Where a matter arises at a meeting which directly relates to the financial interest or wellbeing of one of your Other Registerable Interests, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter; and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of non-registerable interests

Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Where a matter arises at a meeting which affects – a. your own financial interest or well-being; b. a financial interest or well-being of a relative or close associate; or c. a financial interest or wellbeing of a body included under Other Registrable Interests as set out in Table 2 you must disclose the interest.

In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied. Where a matter (referred to in the paragraph above) affects the financial interest or well-being: a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and; b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest, you may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

[Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

Agenda Item 3

South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Thursday, 29 September 2022 at 10.00 a.m.

PRESENT: Councillor Peter Sandford – Chair

Councillors: Jose Hales
Helene Leeming
Richard Stobart

Geoff Harvey
Dr Lisa Redrup
Heather Williams

Officers: Rebecca Dobson
Peter Maddock
Rory McKenna
Liz Watts

Democratic Services Manager
Head of Finance
Monitoring Officer
Chief Executive

Auditors: Jonathan Tully
Head of Shared Internal Audit

Councillor Mark Howell was in attendance, by invitation.

Councillor Cllr John Williams was in attendance remotely.

1. Apologies for Absence

Councillor Michael Atkins sent apologies for absence.

2. Declarations of Interest

In response to a question from the Chair, the Monitoring Officer confirmed that it was important to make a declaration of any interest at each meeting.

Councillor Peter Sandford declared an other registrable interest as a non-remunerated director of South Cambs Ltd trading as Ermine Street Housing.

Councillor Richard Stobart declared an other registrable interest as the Council's Board Member on the South Cambridgeshire Investment Partnership LLP.

Councillor Jose Hales declared an other registrable interest as a Trustee of the Melbourn Warden Scheme, which received a grant from the Council.

3. Minutes of Previous Meeting

By affirmation, the Minutes of the meeting held on 28 July 2022 were **approved** as a correct record.

The Chair referred to the nature of the debate at the previous meeting and said the Leader wished to remind all Members that debate should be respectful of others' views.

Councillor Heather Williams said it would have been helpful to know what it was that the Leader had referred to. She asked the Chair whether he would confirm that as this committee had a scrutiny function, it was non-political.

The Chair confirmed that this was the case.

4. **Regulation of Investigatory Powers Act 2000 (RIPA) - Update on Use of RIPA**

The Monitoring Officer presented a report on the use of powers under the Regulation of Investigatory Powers Act 2000.

The report invited the Committee to note that the Council had not used surveillance powers since the Committee had last met or between the period July 2022 to August 2022.

The Committee **noted** the report.

5. **Public Speaking**

The Chair noted that the public speaker, Daniel Fulton, was not present.

6. **Treasury Management - Annual Report 2021/22**

The Committee considered the Treasury Management Annual Report 2021/22.

The Chief Finance Officer presented the report, which outlined the Treasury Management activities in the financial year 2021/2022 and invited the Committee to approve the report.

Members asked a number of questions on the report, and received responses, as follows.

Whilst some of the Council's investments had matured, in general they had been rolled over. The mid-year report would provide an update on this aspect.

In view of uncertainty over interest rates, a review of long term and short-term borrowing would take place, taking account of the increasing interest rates at present.

The amount of refinancing would be £50million, some of which was due for refinancing in December. It would be likely that a mixture of options would be selected and advice on strategy would be taken from the Council's treasury advisers.

The Treasury Strategy report would be brought to the Committee following revision in view of the current changes to the national financial environment.

Regarding inflation and the extent to which the Council was committed to investments, a significant proportion of the Council's investments were with Ermine Street Housing, and most of the remaining investments were short term, so the Council had some flexibility. The prospect of investing for longer terms could be considered.

Regarding the selection of local authorities in which to invest, a broker's services were relied upon to identify which were looking to lend or to seek investment.

Regarding the approach to monitoring investment risks, the Council's risk register was currently being updated and officers reviewed it on a quarterly basis.

By affirmation, the Committee **approved** the report.

7. Whistleblowing Policy

The Committee considered a report seeking approval of an updated Whistleblowing Policy for the Council as part of counter-fraud policies.

Following presentation of the report by the Head of Shared Internal Audit, Members suggested amendments and made a number of comments as follows.

In line with the recommendations of the Anti-Bullying Task and Finish Group which had looked at whistleblowing, the policy should include provision for employees to be required to read such policies annually.

Regarding the posters which were to be displayed as part of engagement with staff, these should be placed in private locations to enable people to view them without being observed.

The policy should be amended to include reference to third party visitors and contractors.

The code should be read in conjunction with other HR policies. Links to those should be made easily available alongside this policy.

A QR code should be included in the posters linking to the policy and other relevant information so all related policies could be easily found.

The section on independent advice should be given greater prominence and the way in which external contractors could access it should be clarified.

The Head of Shared Internal Audit said the suggestion regarding reminders to employees to read the policy annually would be considered and a response provided to Members in due course. Use of a QR code would be explored, and the other suggestions would be incorporated.

Subject to the above amendments the Committee **approved** the Whistleblowing Policy by affirmation.

8. Governance Risk and Control Update

The Committee received a report giving an update on topical news items contributing to the Committee's understanding of corporate governance matters.

The Head of Shared Internal Audit highlighted the key points of the report including the summary of reviews and forward planning. He referred Members to the Counter Fraud update in which the Committee's feedback from the previous meeting had been incorporated.

Members made a number of comments, summarised as follows.

Counter-fraud cases

Where the report stated instances of suspected fraud were uneconomical to investigate, it should be obligatory to do so as a matter of principle as a deterrent, and the Council should give a full commitment to pursue these instances. In respect of the one case listed in the report where fraud had been proven but there was to be no further action, the Committee expressed concern and requested further details.

It was queried whether the Council had enough resources to carry out the 131 live investigations stated in the report.

The Chief Finance Officer said that whilst good progress had been made by the dedicated temporary investigator, more referrals were being made and were likely to continue. In response, Members suggested consideration be given to allocation of a permanent employee resource.

Carbon emissions data

An update of the progress made in assessing the carbon management challenges of IT systems following entering into a shared ICT service was requested. Officers confirmed work on this request from the previous meeting was progressing and an update would be brought back to the Committee.

Members asked where the measurement standard came from, and whether there were there choices to be made in respect of what was considered robust, including how accuracy could be achieved.

Officers responded that much data quality assurance involved challenging the data, ensuring its accuracy and questioning assumptions. However, the standards were continually changing and the Local Government Association was providing useful information on this.

Members asked whether a log of assumptions was kept, which might then be updated as new insights arose. The Head of Shared Internal Audit said this data was held by the relevant teams, not Internal Audit, but in relation to data collection, the methodology was moving towards smart recording.

Feedback on use of charts

Members' feedback was given regarding the accessible appearance of charts shown in reports to ensure they could be easily read.

Embedded carbon

A request was made for an explanation as to whether the Council was accounting for embedded carbon in respect of initiatives such as the work done in the car park for the Greening project at South Cambridgeshire Hall.

The Head of Shared Internal Audit said this request would be taken away and a response to this question would be provided at a later date.

The Committee **noted** the report.

9. Matters of Topical Interest

The Chief Finance Officer presented a report on the 2018/19 Audit Fees, explaining that whilst it had been proposed at the July meeting of the Committee that an updated be brought to the Committee on this issue, following a meeting with the external auditors, EY, it was agreed that the issue should be dealt with by the Public Sector Audit Appointments (PSAA) for them to review and provide a ruling. It was unlikely their work would be concluded before November, so the report set out a position statement as at the end of September.

The review would be binding on both the Council and on the auditors.

Comments from Members were as follows:

The update was welcomed and once the PSAA report was received, it should be provided to the Committee.

Regarding the correction in the second supplementary agenda, a question was asked as to which party had expressed their discontent with the arrangement. The Chief Finance Officer said the correction did not reflect any dissatisfaction about the PSAA review process, but simply clarified the wording of the original report to make it clearer that such a review was a matter of course.

Audit toolkit

A proposal to provide a toolkit for Members of the Committee was welcomed to ensure Members were equipped and well trained for their work.

The Chief Finance Officer said officers would seek more feedback on what Members would like to be included in a toolkit in order to progress this request.

Treasury Management training

The Chief Finance Officer said a training session for Members on Treasury Management would be arranged in November. He sought comments as to preferred format and dates. Members expressed a preference for in person training and for alternative dates to be offered.

2019/20 audit

The Chief Finance Officer gave a brief update in response to a Member question on the 2019/2020 audit, explaining progress was now being made.

10. Date of Next Meeting

It was noted that the next meeting would be held on Thursday, 1 December 2022, at 10 am.

The Meeting ended at 11.15 a.m.

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Agenda Item 4



**South
Cambridgeshire
District Council**

Report to:	Audit and Corporate Governance Committee
Lead Cabinet Member:	Cllr John Williams
Lead Officer:	Anne Ainsworth

NOVEMBER 2022 RISK REGISTER

Executive Summary

1. This report provides an update on changes to risk reporting in the Council; the recent review of corporate risks; and a summary of the current strategic risks.

Key Decision

2. This is not a key decision.

Recommendations

3. Committee is invited to review the Strategic Risk Register for the Council as of November 2022 and make any comments and suggestions as appropriate for future reporting on Risk.

Reasons for Recommendations

4. To ensure that the approach to managing, reporting and mitigation of strategic risks is appropriate across the Council.

Details

5. Since September 2022 Leadership team has overseen a review of our organisational approach to risk management which has considered the recording, review and reporting of both corporate and strategic risks.
6. The review has also included consideration of the individual risks themselves, and current strategic risks facing the organisation, and the measures in place to help reduce them.
7. Key actions have included:

- a. To comprehensively review the corporate risk register; facilitated by risk champions who have been established in each service.
 - b. To re-appraise the software system used for risk recording and reporting and to adopt a simplified interim approach while other systems can be reviewed.
 - c. To move the corporate home of risk management from Finance to Policy and Planning (in the Transformation team, alongside the performance reporting function) and ensure adequate resources to support ongoing risk management.
 - d. To review the strategic risks facing the organisation (summary presented in Appendix 1).
8. Next steps for the continued development of risk management focus on embedding the culture of timely, appropriate review of risks and an expectation of regular updates and reporting changes by exception.
 9. Corporate Management Team and Leadership Team will be reviewing risks quarterly at a minimum, and particularly as external pressures change.
 10. The Policy and Performance team will further develop the approach to risk management and review options for recording risk, and longer term will formalise and refine our risk management strategy.
 11. In line with good practice, we would suggest that Audit Committee review the Strategic Risk register for the Council twice annually.

Implications

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

Financial

13. There are no resource implications associated with the approach to risk management outlined within this report. Some of the risks reported on will have financial implications if risks are not mitigated as outlined or if external factors change. Timely review and appropriately planned mitigations will ensure these are identified as early as possible.

Alignment with Council Priority Areas

The management of risks affects all areas of the Council's business and inherently aims to support achievement of all priorities.

Background Papers

The SCDC corporate risk register contains more details on some of the strategic risks described here and contains the set of corporate risks which are being managed across all teams.

Appendices

Appendix A: Strategic risks

Report Authors:

Jane Hunt
Kevin Ledger
Telephone:

Transformation Advisor
Senior Policy and Performance Officer
(01954) 713621

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Appendix 1 – summary of strategic risks November 2022

RAG rating key

Likelihood and Impact can both score from 1 – 5 (1 is low and 5 is high)

- Red is any strategic risk with a rating of 16-25 high risk (Likelihood x Impact)
- Amber is any strategic risk with a rating of 12-15 significant risk
- Yellow is any strategic risk with a rating of 5-10 medium risk
- Green is any strategic risk with a rating of 1-4 low risk

No.	Risk Title	Risk Cause and Effect	Current Risk Rating	Risk Control/Mitigations	Residual Risk
01	IT infrastructure failure Leadership team owner: Jeff Membroery	Major IT failure of infrastructure and systems - leading to complete loss of service and network connectivity in one or more service areas across SCDC. Potential to miss statutory obligations, risk to vulnerable residents; incurring financial penalties, loss of productive time and reputational damage.	8	<ul style="list-style-type: none"> Active intelligent client role with 3CICT to ensure risk management approach is active and industry good practice (current measures include split site data centre, separate networks for systems management and application, ability to reroute network traffic in the event of any failures, alternative power generation, data backup tools, 24/7 hardware support and maintenance, cooling, fire suppression and smoke detection, leak detection and site security). Ensure risks are reported and discussed at Information Governance boards, to Shared Service Boards and are included in the ICT Business plan. 	3
Page 12	Cyber security breach Leadership team owner: Jeff Membroery	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, reputational.	15	<ul style="list-style-type: none"> Active intelligent client role with 3CICT to ensure risk management approach is active and industry good practice (current measures include secure configuration, network security, managing user privileges, incident management, user education and awareness, malware prevention, monitoring, removable media controls, mobile working). Ensure risks are reported and discussed at Information Governance boards, to Shared Service Boards and are included in the ICT Business plan. 	10

03	Recruitment and retention – technical skills shortages Leadership team owner: Jeff Membery	Difficulties recruiting, vacancies and shortage of skills and capacity in the organisation. Reliance on contractors. Increase in stress and sickness. Impact on delivery of services. Potential failure to meet statutory deadlines. Damage to reputation and potential legal challenge. Increased expenditure associated with reliance on contractors.	16	<ul style="list-style-type: none"> • Use of apprenticeship opportunities to 'Grow our Own'. Launch of Management Apprenticeships scheme, Internal development opportunities for staff including secondments and training inc. funding for professional qualification. • Keep pay, reward, benefits, staff satisfaction levels under review. Review and improve council 'brand' and marketing use of market supplements in place. • Trialing a 4 day week scheme, if successful will attract staff to the Council for better work/life balance. 	12
04	Emergency response and community support (eg flooding, pandemic) Leadership team owner: Jeff Membery	Staff being moved into reactive roles, reducing/prioritising/stopping business as usual output and other projects. Reduced ability to deliver services and priorities. Risk to life, environment, property and business if responses are not timely and adequate.	15	<ul style="list-style-type: none"> • Continued work to develop cross-Council working and partnership collaboration, allowing effective and joined up response and the potential for 'mutual aid'. • Continue our good practice approach to our operational response including clear roles and responsibilities and 24 hour rotas • Training has been developed cross County and involving a multi organisational response to emergency and resilience planning • Working with communities to increase resilience and preparedness for unexpected events. • Further growth and use of community links. 	9
05	Failure to deliver organisational change and new operating model Leadership team owner: Jeff Membery	The Council's operating model, organisational values, capabilities, and structure fail to deliver the Business Plan. Limitations to service delivery, possible financial and legal penalties and reputational damage.	12	<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. • Change in Governance arrangements for Service Reviews involving more of Leadership Team in defining objectives of reviews and being board members. 	6

				<ul style="list-style-type: none"> Increased number of cross service reviews requiring corporate monitoring and governance rather than relying on service only delivery. 	
06	Failure of information governance – data management Leadership team owner: Jeff Membery	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.	6	<ul style="list-style-type: none"> Agreed additional funding for Information Governance team to ensure review of processes to reduce likelihood of failure. Governance changes being introduced so cross council accountability is delivered and efficiencies obtained. Continual development of training and awareness to reduce likelihood of unintentional failures. 	3
07	Lack of clear documented digital strategy Leadership team owner: Jeff Membery	Ad-hoc delivery of digital projects not contributing to the overall objectives of the Council and diverting resource away from delivering most beneficial change. Reduced savings, fewer integrated systems and increased maintenance costs. Less joined up information.	9	<ul style="list-style-type: none"> Commissioned an external organisation (6x3) to complete a document digital strategy to guide future IT procurement and delivery. Include Leadership Team in "signing off" the strategy to ensure corporate buy in. 	3
08	Rolling power cuts Leadership team owner: Jeff Membery	Could lead to disruption of Council network and the unavailability of IT systems. Officers unable to undertake the majority of their functions due to loss of IT.	8	<ul style="list-style-type: none"> Back up power supplies within data centre able to provide residual power if supplies are interrupted. Council anywhere and hybrid working means a dispersed workforce that will mainly be using residential power supplies which are exceptionally unlikely to be impacted. Membership of Local Resilience Forum which receives advanced warning of potential power interruptions allowing the Council to plan around them. 	4

09	<p>Failure to deliver Northstowe community buildings</p> <p>Leadership Team owner: Anne Ainsworth</p>	<p>Risk of project failure to deliver on time and to budget.</p> <p>This could lead to additional costs; reputational damage and/or delays to service and community provision.</p>	15	<ul style="list-style-type: none"> • Senior Responsible Officer structure in place; with leads for each aspect of the programme reporting to the Senior Responsible Officer • In July 2022 the Council agreed to provide additional financial support to deliver the buildings • The Northstowe Delivery Group has been established to support the Council in delivering the buildings and includes representatives from the County Council and Town Council • Programme Management in place to provide clear oversight and continuous review of progress and potential risks 	9
10	<p>Shared service governance is inadequate</p> <p>Leadership Team owner: Anne Ainsworth</p>	<p>A lack of clarity with regards to what Shared Services are expected to deliver; how decisions are taken and failure to learn and apply that learning to improve services</p> <p>Shared Services not effectively governed and delivering against business plans, fail to retain staff and provide resilience, and fail to deliver services for residents.</p>	8	<ul style="list-style-type: none"> • Quarterly performance, finance and risk reviews undertaken by Shared Service Director Board with each Head of Shared Service. • Member Steering Groups in place for the 2C services; and Member Governing Boards for the 3C services. • More regular meetings about any identified service specific issues as they arise, to address problems and review delivery and resources as appropriate. • A review of Shared Services Governance has been undertaken with the aim of reducing duplication; ensuring that reporting focuses on areas of challenge and development; and the strategic development of Shared Services across the Council including alignment of budgetary processes. • Shared Service Agreement signed by all Councils. 	6

11	<p>Failure to effectively manage, control and utilise data and intelligence across the council</p> <p>Leadership Team owner: Anne Ainsworth</p>	<p>Decisions and planning processes based on inadequate/missing information</p> <p>Reduced quality of delivery, reputational damage</p>	9	<ul style="list-style-type: none"> Options for service improvements and partnering being developed; Community of Practice being established; Completion of Data Maturity Self-Assessment to help inform investigations into potential data strategies Training, Protocols & Sharing agreements 	6
12	<p>Failure to deliver programme of work to reduce SCDCs carbon emissions</p> <p>Leadership Team owner: Bode Esan</p>	<p>Failure to reduce our carbon footprint by 45% by 2025 and 75% by 2030</p> <p>Environmental damage, reputational damage, reduced access to funding, continued exposure to uncertainty linked to climate change (e.g. fuel costs).</p>	12	<ul style="list-style-type: none"> Fleet - decarbonisation programme in place and funded Strategy and action plan delivery - this is monitored by Climate and Environment Advisory Committee (CEAC) and the programme of projects is monitored by the cluster board. Embed the business plan targets for climate change in other departments, not just the cluster. 	9
13	<p>Failure to catch up with producing the Council's overdue statements of accounts including the approval of accounts to obtain unqualified audit opinion.</p> <p>Leadership Team owner: Peter Maddock</p>	<p>Reputational loss and adverse publicity, and inability to present an audited report of the Council's financial position.</p> <p>Increased stress and workload for the Accountancy Service and diversion from other accounting responsibilities such as budget monitoring.</p>	12	<ul style="list-style-type: none"> Plan of actions and timetable prepared for each statement of accounts, including supporting information for auditors whilst monitoring progress regularly to deadlines set. Close liaison with the auditors to ensure all requests are fulfilled on time. Review process of current statement of accounts in order to build efficiency and time saving processes. Additional resources to support and train the team as required in the interim period of catching up. Attendance at CIPFA / external audit final accounts workshops. 	6

14	Economic pressures increase Leadership Team owner: Peter Maddock	<p>Inflation driven recession; borrowing rates increase; reduction in public spending; restrictions on PWLB borrowing</p> <p>Collection rates decrease impacts on SCDC as a growth area. Borrowing rates increase and impact on revenue budgets (significant for 23/24 budget). Public Works Loan Board (PWLB) restrictions prevent Council from implementing investment plans which would have generated commercial income. Changes to funding system and likely reduction in receipts of business rates for district councils. Cost of growth sees demand for services outstrip income from new business rates or Council tax.</p> <p>Economic growth reduces and so tax income to government reduces, impacting on the Local Government Settlement.</p>	20	<ul style="list-style-type: none"> • Medium Term Financial Strategy updated regularly to track potential impact on the Council before the impact actually occurs. • Economic Development Team in place bringing together Business Support and Commercial/Regeneration Investment. • Refresh Investment Strategy. • Programme of Service Reviews to continue. 	15
	Cost of living crisis affects residents Leadership Team owner: Liz Watts	<p>Increased costs of energy and fuel, housing and food, alongside stagnation / reduction of income (wages, social security benefits such as Universal Credit).</p> <p>Housing, food, bills less affordable and residents (particularly the vulnerable but also those 'just about managing') suffer physically and financially.</p>	9	<ul style="list-style-type: none"> • Promote the existing mechanisms available for resident support (such as income maximisation advice, specialist debt advice, spreading payments, discretionary grants, food banks and vouchers, signposting more advice). • Implement new options agreed by Cabinet in Nov 2022, including discretionary housing payments, changes to Localised Council Tax Support, Discretionary Council Tax discounts, charitable giving, warm hubs, warm packs, community chest grants, improving access to affordable food. 	6

16	Cost of living crisis affects council Leadership Team owner: Liz Watts	Reduction in income / payments from businesses and reduction in income / payments made by residents Increased financial pressure on council and staff	9	<ul style="list-style-type: none"> Promote the support available to businesses and residents; remain open to discussion on payments and remain proactive on financial management of debtors Continue to actively monitor situation at service and Leadership Team level Continue to share best practice across councils and industry to ensure we adapt and respond 	6
17	Organisational culture doesn't reflect organisational direction Leadership Team owner: Liz Watts	Council is unable to reflect appropriate skills, behaviours and attitudes in Managers and Staff. 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.	6	<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. Preparation for the 4 day week pilot includes activities focused on good working practices, behaviours and cross-team working. A range of internal and external training opportunities for all staff funded through central budget, including a Leadership Academy for CMT running during 22/23-23/24. Good recruitment practices, including recent changes to support improved diversity (e.g. blind recruitment). Delivery of Team Charters. 	4

18	<p>Fail to harness synergies from partnership working (with e.g. Cambridgeshire and Peterborough Combined Authority (CPCA), Health sector)</p> <p>Leadership Team owner: Liz Watts</p>	<p>Fail to build projects and programmes of work and improve existing services in line with available data, intelligence, partnership funding and collaboration opportunities.</p> <p>Services not optimised or delivery prioritised as well as possible; funding opportunities not taken; residents failed by partners working in isolation.</p>	12	<ul style="list-style-type: none"> • CPCA Improvement Plan is supported by all CEOs across C&P and SCDC leads on one workstream • SCDC CEO is on the Health & Wellbeing board and leading the housing and skills priority area for delivery of the Health and Wellbeing Strategy in December 2022 • SCDC chairs the C&P Public Service Board which is creating a programme to create a network of officers from all organisations to learn and co-deliver new projects • COO leads on a newly established C&P data sharing working group 	9
19	<p>Failure in partnership working to deliver infrastructure</p> <p>Leadership Team owner: Stephen Kelly</p>	<p>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</p> <p>Delays to delivery of strategic developments. Less opportunity to address climate change through improved connectivity. Lack of utility provision such as water supply and electricity.</p>	12	<ul style="list-style-type: none"> • Close working with partners at Cambridge and Peterborough Combined Authority and Greater Cambridge Partnership. • Close collaboration on consultations emanating from Cambridgeshire and Peterborough Combined Authority (CPCA), Greater Cambridge Partnership (GCP) and Greater Cambridge Shared Planning Service (GCSPS) to ensure project outcomes are aligned. 	6
20	<p>Failure to deliver housing and maintain 5 year housing supply</p> <p>Leadership Team owner: Stephen Kelly</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.</p> <p>Lack of suitable sustainable housing for residents, higher house prices, lack of workforce for businesses, shortage of transport and facilities. If the Council were unable to demonstrate a five-year housing land supply or meet the housing delivery test, the National Planning Policy Framework (NPPF) provides a tilted balance in favour of development</p>	9	<ul style="list-style-type: none"> • Authority Monitoring Report produced annually along with Housing Trajectory prepared in consultation with housing developers, to ensure an effective understanding of delivery. • Measures to support delivery through the planning application process, with Planning Performance Agreements put in place for strategic developments with established programmes and secured monies for staff. • Measures to address the delivery of infrastructure needed to support growth, such as the transport infrastructure programme of the Greater Cambridge Partnership. 	6

		applications.			
21	Ability to deliver new local plan given limiting factors around water and other utilities Leadership Team owner: 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. Delays to delivery of strategic developments. Less opportunity to address climate change through improved connectivity. Lack of utility provision such as water supply and electricity.	12	<ul style="list-style-type: none"> • Effective input into infrastructure planning through engagement with statutory providers, or bodies like the Greater Cambridge Partnership. • Review of processes and systems to ensure most effective way is introduced. • Programme management resource to be recruited, along with use of Uniform/PM3. 	6
22	Compliance risk - council housing Leadership Team owner: Peter Campbell	Reputational risk. Potential legal action against council. Risk to life Intervention by Regulator for Social Housing. At extreme corporate manslaughter.	16	<ul style="list-style-type: none"> • Policies and procedures in place to ensure Assessments are carried out within timescales • Regular audits to ensure compliance with current regulations. and continuity checks with contractors records. • Specialist staff to ensure up to date knowledge of regulations are in post 	8
23	Ermine Street (£100m investment) fails to deliver return Leadership Team owner: Peter Campbell	There are a range of factors than impact on Ermine Street Housing (ESH) (included in the Housing Risk Register; including changes in legislation, house price deflation, insufficient expenditure on assets, tenants' ability to pay, rent caps, interest rate rises) that may impact on the future profitability on ESH. Lower than anticipated returns on investment	16	<ul style="list-style-type: none"> • Interest Rates Rise - Strong financial management. • House Price Deflation - House prices are more resilient in the Cambridgeshire Area. Business Model is less dependent on property values, rental income is more important. • Property Condition - properties are generally new and in good condition. ESH will complete a stock condition survey to allow a long term investment plan together with an acquisition and disposal strategy. 	8

24	<p>New Mears contract fails to deliver service</p> <p>Leadership Team owner: Peter Campbell</p>	<p>Repairs not being completed on time and/or poor quality. Dependence on one contractor</p> <p>Dissatisfaction from tenants and reduction in satisfaction levels potential action by regulator and risk of disrepair claims.</p>	16	<ul style="list-style-type: none"> • Robust monitoring of performance to be put in place. Expectations and performance measures made clear at the outset of the new contract. • Monitoring of contract to include tenant representatives, which will feed into the Housing Performance Panel and Housing Engagement Board. • Robust procurement process including financial check on company. 	8
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Agenda Item 5



REPORT TO: Audit & Governance 1 December 2022

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

LEAD OFFICER: Peter Maddock, Head of Finance

MID YEAR 2022/2023 TREASURY MANAGEMENT REPORT

Executive Summary

1. This report outlines the mid-year treasury management report to 30 September 2022, 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 2022.

Reason for Recommendation

4. The Committee has within its terms of reference a responsibility to review Treasury Management activity and this report highlights performance for the period 1 April 2022 to 30 September 2022.

Details

Treasury Management Strategy

5. The Council's Treasury Management Strategy and prudential indicators for 2022/2023 were approved by Full Council on 22 February 2022.
6. As part of the Council's Mid-Year Review, the Treasury Management Policy Statement and Treasury Management Strategy for 2022/2023 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 2023/2024 budget determination process.
8. The economic landscape has continued with a degree of uncertainty and volatility during 2022, with the ongoing financial challenges associated with the recovery from the full effects of the Coronavirus pandemic (COVID-19) and high inflation levels. Inflation is currently at record levels and prices are still continuing to rise at nearly their fastest rate in 40 years. Inflation, as a measure of price rises, increased to 11.1% for the 12 months to the end of October up from 10.1% in the 12 months to September 2022, (based upon the Office for National Statistics (ONS) information). The chancellor, in his budget on 17th November, confirmed that the country is now in recession so we can expect a difficult few years for the UK economy.
9. In response to the prevailing economic conditions the Bank of England Base Rate has been increasing during the financial year 2022/2023. The increase to 0.75% from 17 March 2022 was followed by further increases, in response to market conditions, to 1.00% from 5 May 2022, to 1.25% from 16 June 2022, and to 1.75% from 4 August 2022. The Bank of England's Monetary Policy Committee delayed its decision on whether to raise the base rate further, due the period of national mourning following the sad death of Her Majesty Queen Elizabeth II, but further increased the rate to 2.25% when the Committee reconvened on 22 September 2022. The latest increase to 3.00% was on 3 November. The base rate influences the interest rates that lenders charge for mortgages, loans and other types of credit.
10. Whilst there is marginal benefit in terms of investment returns, local authorities have experienced unforeseen cost pressures as a result of increased energy prices, spiralling inflation, and national living wage pressures. These factors will need to be fully taken into account as part of the 2022/2023 budget setting process.
11. 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 2022 to 30 September 2022 and the associated monitoring and risk management.
12. 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.
13. 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 22 February 2022 and is being reviewed as part of the 2023/2024 budget process.

Investment Activity

14. As at 30 September 2022, the Council held £157.4 million of invested funds (nominal basis), representing income received in advance of expenditure plus balances and reserves held. The Council's investment balances during 2022/2023 have averaged £153.2 million over the year to date.
15. 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.
16. The portfolio has been managed throughout 2022 on the basis that there would not be an external borrowing requirement for capital expenditure. In the period to 30 September 2022 there have been further loans of £1.3 million made to Ermine Street Housing. This has been covered by current cashflows. Projected cashflows indicate that no additional 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.
17. 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 2022:

Investment Counterparty	01 April 2022	New	Matured	30 Sept 2022
Short Term:	£000	£000	£000	£000
Banks – Call/Liquidity Accounts	1,885	23,072	(24,827)	130
AAA Rated Money Market Fund	2,155	136,075	(132,805)	5,425
Clearing Banks	Nil	35,000	(5,000)	20,000
Other Banks	8,000	32,000	(15,000)	25,000
UK Local Authorities	2,500	8,500	(6,000)	5,000
Building Societies	2,000	20,000	(20,000)	2,000
Housing Associations	3,500	0	(2,500)	1,000
Total Short-Term Investments	20,040			58,555

Investment Counterparty	01 April 2022	New	Matured	30 Sept 2022
Long Term:	£000	£000	£000	£000
South Cambs Ltd	94,620	1,290	0	95,910
Cambridge Leisure and Ice	2,400	0	0	2,400
Cambourne Town Council	500	0	0	500

Total Long-Term Investments	97,520			98,810
Total Investments	117,560			157,365

18. The upward movement in value of £39.8 million is due to an increase in available funds for investment purposes.
19. The most significant movements in the portfolio are an increase of £37 million placed with Clearing Banks (£20m) and Other Banks (£17m), £3.3m on Money Market Funds, £2.5m with a Local Authority suggested by the Council's broker, and a further £1.3 million loaned to Ermine Street Housing. A more detailed analysis of the investment portfolio as at 30 September 2022 is shown at **Appendix A.**
20. 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.
21. 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 2.01% and Ermine Street Housing returns 3.70%. Liquidity assets typically return 1.9%. This has to 30 September 2022 generated the Council a blended return of 3.06%.
22. 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 2022	4.30	157,365	47,130	30	153,250	3.06%
31 March 2022	4.35	117,560	11,885	10	120,141	3.20%

23. The table also shows how the Council's exposure to Bail in Risk has increased in year as the portfolio has more funds placed with Banks and Building Societies. This will reduce as balances run down during Quarter 4.

Borrowing Strategy

24. As at 30 September 2022, the Council held £205.123 million of long term debt (principal borrowed, excluding lease liabilities), no change on 31 March 2022. The Council held £50 million of short-term debt at 30 September 2022

25. 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.
26. 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

27. As at 31 March 2022 the Council had short-term local authority borrowing of £50 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 2022.

	01/04/2022	Maturing Debt	Interest Paid	Lease Payments	CFR Movement	30/09/2022
	£000	£000	%	£000		£000
CFR	358,666				0	358,666
Short Term Borrowing (a)	50,000	0	0.21	0		50,000
Long Term Borrowing (b)	205,123	0	3.51	0		205,123
Total Borrowing (a+b)	255,123	0	0	0		255,123
Other Long-Term Liabilities (c)	0	0	0	0		0
Total External Debt (a+b+c)	255,123	0	2.86	0		255,123

PWLB Certainty Rate and Project Rate Update

28. Authorities are required to notify the Department for Levelling Up, Housing and Communities (DLUHC) of any potential future borrowing 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 2023. There is no penalty if the facility is not used.

Debt Rescheduling

29. 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

30. The Finance Team monitor and report on the Capital Financing budget on a regular basis. The latest position as at 30 September 2022 is shown in the table below:

	Current Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Interest Payments	358	591	233
Minimum Revenue Provision	1,090	1,090	0
Total Expenditure	1,448	1,681	233
Investment Income	(3,648)	(4,971)	(1,062)
Commercial Property Rental Income	(2,388)	(1,589)	799
Total Income	(6,036)	(6,560)	(524)
Net Budget	(4,588)	(4,879)	(291)

31. Interest Payments are forecast to be higher than originally budgeted as Bank of England Base Rates increase in the fight against inflation. The expectation is 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.
32. Minimum Revenue Provision forecast outturn is in line with estimate.
33. Investment Income is forecast to come in ahead of budget. Rates with Banks and Money Market funds have increased from record lows since the succession of Bank of England Base Rate increases. Ermine Street Housing continues to make a significant contribution, with a slightly higher forecast outturn of £3.576 million versus original forecast of £3.476 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 be ahead of budget as a result of interest rates changes and lower short term borrowing balances.

External Economic Impact on Portfolio

- 34. The external economic context and market rate data is referenced in the Treasury Advisers report reproduced at **Appendix B**.
- 35. In response to the prevailing economic conditions the Bank of England Base Rate has been increasing during the financial year 2022/2023. The increase to 0.75% from 17 March 2022 was followed by further increases to 1.00% (from 5 May 2022), 1.25% (from 16 June 2022), 1.75% (from 4 August 2022) and 2.25% (from 22 September 2022). At the latest meeting (3 November 2022) the rate was increased to 3%. This has increased the return on the Council’s Money Market Fund holdings and on maturing deposits when reinvested.

Compliance with Performance Indicators

- 36. The Council has been compliant with the 2022/2023 Prudential Indicators approved by Full Council on 22 February 2022.
- 37. The Council measures and manages its exposures to treasury management risks using the following indicators:
- 38. Performance against prudential indicators in 2022/2023 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%	0%	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	45,000
Local Authorities	>12 Months <2 years	5,000

PWLB	10 – 15 years	15,000
PWLB	15 – 20 years	50,000
PWLB	20 – 25 years	50,000
PWLB	25 – 30 years	50,000
PWLB	30 – 35 years	40,123

- (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 durations for counterparties are:

Counterparty	Suggested maximum duration	Actual duration	Total investments £000
Close Brothers	6 months	730 days	5,000
Places for People ¹	N/A	730 days	1,000

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	95,910	61
CLIC + Cambourne Town Council	2,900	2
Other Banks	5,000	3
Total Long term	103,810	66
Short term (<365 days)		
Banks (Clearing)	20,130	13
Other Banks	20,000	13
Building Societies	2,000	1
Housing Assoc.	1,000	1
Local Authorities	5,000	3
Money Market Funds	5,425	3
Short Term (Working Cash Balance)	53,555	34

Outlook for Quarter 4 2022/2023

39. The Council will continue to 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 2023. The expected outturn on short term borrowing is £40 million.

40. The view is that the UK economy still faces a challenging outlook as the Government continues to respond to the ongoing financial pressures associated with high inflation levels.

Implications

41. 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

42. 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.
43. 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

44. 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

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

Risks

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

Environmental

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

Equality and Diversity

48. 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.
49. 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

50. 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:

- at all reasonable hours at the offices of South Cambridgeshire District Council;
- on the Council's website; and
- 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: 6 September 2021
- Medium Term Financial Strategy – Report to Council: 23 September 2021
- General Fund Budget – Report to Cabinet: 2 February 2022
- General Fund Budget – Report to Council: 22 February 2022
- Treasury Management Strategy – Report to Cabinet: 2 February 2022
- Treasury Management Strategy – Report to Council: 22 February 2022

Appendices

- A Schedule of Investments as at 30 September 2022
- B Treasury Management Adviser – External Economic Context and Market Rate Data

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Appendix A – Schedule of Investments as at 30 September 2022

	Amount	Interest	Total	Term	Rate	Maturity Date
	£000	£000	£000	Days	%	
Counterparty						
Barclays FIBCA (Call ac)	130		130	Overnight	1.4	01/10/2022
Federated (MMF)	5,425		5,425	T+1	2.08	01/10/2022
Santander	10,000	59.616	10,060	170	1.28	06/10/2022
SMBC Bank International	2,000	12.389	2,012	170	1.33	06/10/2022
Goldman Sachs Int. Bank	5,000	33.068	5,033	170	1.42	06/10/2022
Standard Chartered	2,000	15.342	2,015	175	1.60	10/11/2022
Standard Chartered	5,000	38.356	5,038	175	1.60	10/11/2022
Nationwide	2,000	9.727	2,010	97	1.83	10/11/2022
Places for People	1,000	12.832	1,012	551	0.85	28/11/2022
Lloyds	5,000	46.861	5,047	189	1.81	14/12/2022
Wirral Borough Council	5,000	29.675	5,030	87	2.49	22/12/2022
Lloyds	3,000	38.117	3,038	187	2.48	31/01/2023
Standard Chartered	2,000	29.438	2,048	175	3.07	23/02/2023
Standard Chartered	1,000	14.719	1,015	175	3.07	23/02/2023
SMBC Bank International	3,000	41.281	3,041	175	2.87	23/02/2023
Lloyds	2,000	29.822	2,030	175	3.11	23/02/2023
Close Brothers	5,000	320.438	5,320	551	3.20	12/07/2024
Ermine Street Housing	90,858				3.85	Various
Ermine Street Housing	5,052				1.00	Various
Cambridge Leisure & Ice	2,400			25 Years	4.31	31/03/2043
Cambourne Town Council ¹	500					TBC
Total	157,365					

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

- The second quarter of 2022/23 saw:
 - GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
 - Signs of economic activity losing momentum as production fell due to rising energy prices;
 - CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
 - The unemployment rate fell to a 48-year low of 3.6% due to a large shortfall in labour supply;
 - Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
 - Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23rd September.
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households’ bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.
- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as

the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.

- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6th November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.
- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3rd November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23rd November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14th October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.

- Since the Bank's announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 27th September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

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Agenda Item 7



**South
Cambridgeshire
District Council**

Report to:	Audit and Governance	1 st December 2022
Lead Cabinet Member:	Councillor John Williams, Lead Cabinet Member for Finance	
Lead Officer:	Peter Maddock, Head of Finance	

FINAL ACCOUNTS AND AUDIT UPDATE.

Executive Summary

1. This report provides an update on the 2018/19 audit fees, the 2019/20 final accounts audit and the 2020/21 final accounts preparation.

Recommendations

2. That Committee note progress on the 2019/20 Final Accounts audit and 2020/21 final accounts preparation.

Details

Audit Fees 2018/19

3. At the last meeting of this committee it was reported that the 2018/19 audit fees were being reviewed by the Public Sector Audit Appointments (PSAA) awaiting a ruling on the appropriate level of fees for that year. At the time of writing this report this review is still ongoing. If there is an update available between now and the Committee meeting this will be given verbally.

Final Accounts Audit 2019/20

4. The audit of the accounts for 2019/20 is currently ongoing and whilst the planned completion was during November 2022 it is expected this will now be the end of December.
5. The Audit has been carried out in two stages; Initially starting in mid-June until the end of July and recommencing at the end of September. It is fair to say the process has been somewhat better than recent years partly due to significant preparation work ahead of the audit by the Council but also the improved communication and information exchange between the two teams. It is also worth noting that the audit teams approach to the audit has been helpful

6. It would have been foolish to think that after the significant issues with 2017/18 and 2018/19, the 2019/20 would be completely straight forward and whilst there have been a few instances of incomplete information being provided to the auditors these issues have been resolved quickly and not become protracted as in previous years. There have also been one or two minor delays in the process from both sides.
7. There are a number of competing demands on the finance team at the moment which also include the 2023/24 budget preparation but servicing the 2019/20 audit is currently the top priority for the team.
8. As reported above the audit is expected to be concluded by the end of December with the auditors results report being presented soon after. It is intended that an additional meeting be convened for 12th January to agree the final audited set of accounts for 2019/20.

Final Accounts Preparation 2020/21

9. Whilst the 2019/20 audit of accounts is ongoing the 2020/21 statement of accounts are being prepared and it is expected that these will be completed by the end of December.
10. During the summer one of the two interim accountants left the organisation and was replaced by a further interim accountant. The new interim is very experienced in accounts closure and audit and has demonstrated extremely good technical accounting knowledge. Not only that, a new accounts preparation process had been introduced by them that saves a considerable amount of time and effort and when any change is required this can be done immediately. The new process has been demonstrated to the auditors and they have also referred to this in their report.
11. The time critical process in the 2020/21 accounts preparation is again the asset register work which is ongoing but is expected to be complete by the time of this committee.
12. If the accounts are completed by the end of December it is intended to bring a draft set to the additional meeting planned for January.
13. The intention at the moment is for the 2020/21 audit to commence during February 2023 but this is dependent on the successful completion of the 2019/20 audit, the completion of the draft 2020/21 accounts and audit resources being available at the appropriate time.

Options

14. The report asks the committee to note the current position on the 2018/19 fees, the 2019/20 final accounts audit and the 2020/21 final accounts preparation.

Implications

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

Financial

16. There are no additional requirements over and above those currently deployed. The budget does currently include the temporary resources needed to get the accounts up to date.

Legal

17. None identified.

Risks/Opportunities

18. There is a risk that the proposed timeline may slip due to delays to; the completion of the 2019/20 audit, completion of the 2020/21 statement of accounts and/or the ability of the audit team to resource the audit at the required time.

Alignment with Council Priority Areas

A modern and caring Council

19. Producing an annual statement of accounts is key to supplementing the financial information already in the public domain, to ensure the full transparency of the Council's financial affairs.

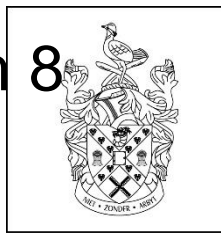
Appendices

None

Report Author:

Peter Maddock – Head of Finance
Telephone: (01954) 713072

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REPORT TO: Audit and Corporate Governance
Committee

01 December
2022

LEAD OFFICER: Head of Shared Internal Audit

Governance Risk and Control Update

Executive summary

1. This report provides an update on topical news items which contribute to the Committee understanding of Corporate Governance Matters.

Key Decision

2. This is not a key decision because this is being presented to the Audit and Corporate Governance Committee in accordance with their terms of reference.

Recommendations

3. The Audit and Corporate Governance Committee is requested to note the report.

Reasons for Recommendations

4. The updates keep the Committee informed of key relevant matters.

Details

5. None.

Considerations

6. None.

Options

7. None.

Implications

8. In the writing of this report, there are no significant implications or risks to the Council.

Background Papers

9. Background papers used in the preparation of this report:
 - Committee Terms of Reference

Appendices

10. Appendices to this report include the update report.

Report Author:

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Committee update December 2022

Introduction

Overview and background

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

Internal Audit reviews provide assurance on the Governance Risk and Control environment, and this contributes to the Annual Governance Statement.

Below are a summary of reviews completed in the last quarter:

Review	Assurance and actions		Summary of report
Grant Assurance – Restart PPAS 	Assurance: Current: Full Previous: New review Actions: Critical 0 High 0 Medium 0 Low 0		The Council issued Business Support Grant Funds on behalf of the Department for Business, Energy & Industrial Strategy (BEIS). We completed Post Payment Assurance Sampling (PPAS) reviews for the following schemes: Restart and Additional Restrictions Grant While it is not possible to completely eradicate the risk of fraud, this review provided assurance that adequate checks were undertaken to ensure recipients were eligible with the scheme conditions, and appropriate checks were made to minimise the risk of fraud and error.
Grant Assurance – ARG PPAS 	Assurance: Current: Full Previous: New review Actions: Critical 0 High 0 Medium 0 Low 0		

Review	Assurance and actions		Summary of report
<p>Disabled Facility Grants</p> 	<p>Assurance:</p> <p>Current: Full</p> <p>Previous: Reasonable</p> <p>Actions:</p> <p>Critical 0</p> <p>High 0</p> <p>Medium 0</p> <p>Low 0</p>		<p>This grant funding enables the Council to carry out improvements to housing stock and disabled adaptations. Grants awarded during 2021/2022 were created in the new 'Tascomi' system, jointly procured between the 3C Councils.</p> <p>Our testing provided assurance that:</p> <ul style="list-style-type: none"> • grants recipients were eligible; • applications were supported by a qualified and independent medical referral; • applications were processed promptly; • suppliers and contractors were appropriately procured; • project cost variations were appropriately approved; • financial records were complete; • projects were managed by the HIA; and • grants were used for capital expenditure as set out in the MHCLG conditions. <p>It has been a challenging period to award grants. Factors include fewer people coming forward for assessments, vulnerable users self-isolating due to Covid-19, and occupational therapists being redeployed to work in critical care; and contractors catching up on pre-pandemic work. An underspend of £35,200 was carried forward into 2022/2023.</p> <p>The team plans to employ a project officer to raise awareness and encourage more eligible people to apply for grant funding.</p>

Reviews in Progress and forward planning

We maintain a dynamic audit plan. Our current planned assurance and follow-up reviews include:

Audit	Assurance type	Progress update	Scope and description
Corporate Plan Objectives			
Asset Management – Land records	Data quality and analytics	This work is in progress.	Review of land records held on the asset register for assurance records are complete.
Capital – Asset Register	Benefits realisation	This work is in progress.	Provide independent assurance that the implementation is completed and that there is capacity for the system to be effectively maintained.
Carbon Management Strategy	Risk based	Testing is concluded.	Review to provide assurance that Strategy continues to reflect best practice.
Corporate complaints and feedback	Governance	Testing is concluded.	Review of the complaints process to provide assurance that it is effective in helping the Council to continuously improve its services.
Customer Portal	Making resources count	This work is scheduled for later in the year.	System review and consider if there are any further opportunities for improvement.
Housing – Allocations	Compliance	This work is in progress.	Review of processes and policies.
Risk management	Follow-up	This work is in progress.	Follow-up review to ensure that actions from the previous review have been implemented successfully. We will also provide advice on the Risk Management Framework.
Core Assurance Work			
Grant assurance - Energy Rebate Schemes	Grant assurance	This work is scheduled for later in the year.	We anticipate that we will need to provide assurance to Central Government on the Energy Rebate Scheme.
Payroll – Core controls	Key Financial System	This work is scheduled for later in the year.	An annual review focussing on the key controls that support the system.

Other consultancy activities

National Fraud Initiative

The Council participates in a national data matching service known as the National Fraud Initiative (NFI), which is run by the Cabinet Office. Data is extracted from Council systems for processing and matching. It flags up inconsistencies in data that may indicate fraud and error, helping councils to complete proactive investigation. Historically this process has not identified significant fraud and error at South Cambridgeshire District Council, and this provides assurance that internal controls continue to operate effectively.

We have extracted and processed data from our systems and submitted this to the Cabinet Office secure portal. We are currently summarising the work completed to help improve the data quality for future exercises.

Business Grants HMRC data

HMRC has required that we share data for the Business Support Grants paid during the pandemic, as the payments were taxable. This is a complex exercise and requires processing of over 8000 records to the HMRC standards. We are on schedule to complete this submission by the target deadline.

Other updates

We are also providing consultancy advice, on internal controls for grant and payment schemes such as Energy Rebate and Ukraine Homes, the Transformation programme and the Risk Management Framework.

CIPFA has recently produced revised guidance on Audit Committees, and we will use this to assess effectiveness and opportunities for improvement in governance arrangements.

Overall assurance

The internal audit work and assurance mapping enables us 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 period.

Counter Fraud update

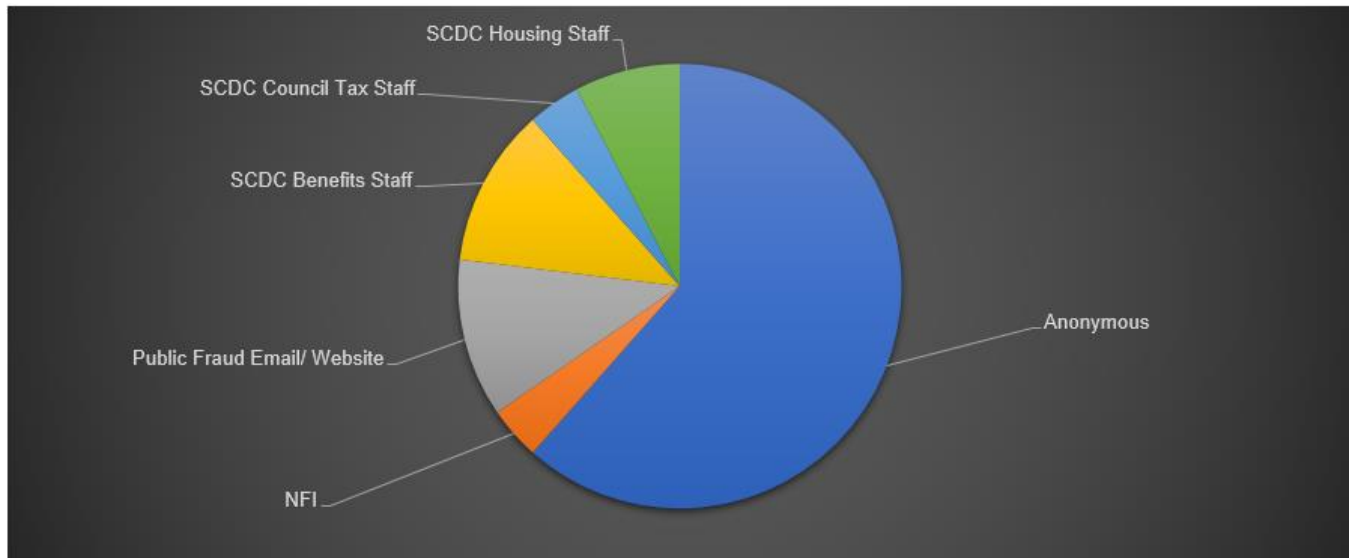
Fraud Team Statistics – our quarterly position

We have included fraud statistics below from the recent quarter. The purpose of these is to provide the Committee with an overview of the work in progress. 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:

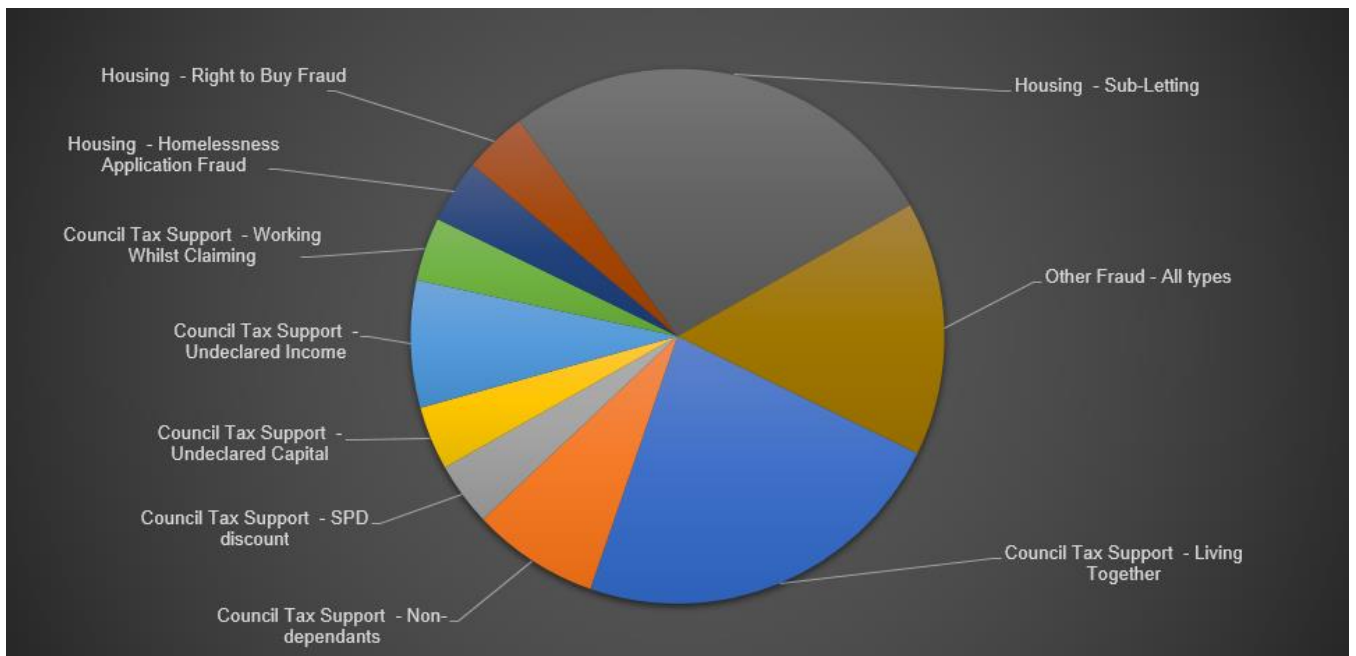
Source category	Count Q2
Anonymous	16
NFI	1
Public Fraud Email/ Website	3
SCDC Benefits Staff	3
SCDC Council Tax Staff	1
SCDC Housing Staff	2
Grand Total	26



Fraud by type

Analysis by fraud type:

Type category	Count Q2
Council Tax Support - Living Together	6
Council Tax Support - Non-dependants	2
Council Tax Support - SPD discount	1
Council Tax Support - Undeclared Capital	1
Council Tax Support - Undeclared Income	2
Council Tax Support - Working Whilst Claiming	1
Housing - Homelessness Application Fraud	1
Housing - Right to Buy Fraud	1
Housing - Sub-Letting	7
Other Fraud - All types	4
Grand Total	26



Investigations in progress (as of 30th September 2022)

Case Status	Number of Cases	Key
Live Investigation	76	
Interview Under Caution (IUC)	8	
Sanction decision		
Criminal		
Prosecution		
Administrative Penalty		
Caution	1	
Prosecution and Civil action		
Civil		
Warning Letter	7	
No Further Action		
Notice to quit (Secure or flexible tenancy)		
Notice of proceedings for possession (intro tenancy) / Notice to Seek possession (secure and flexible)		

Investigations Closed

Closure Reason	Number
A14 Uneconomical to investigate	3
A10 No criminal Action, referred for Civil Action.	1
A11 Not investigated, passed for visit	0
A13 Not investigated - not on benefit	0
A4 Closed - claimant error only	0
A5 Closed- no fraud established	13
A7 Not investigated - passed to DWP	1

Proactive work – Prevention

Prevention is an important aspect of our Counter Fraud arrangements.

Education		
	Prevention advice to businesses.	Advice to Licensing. Housing Tenancy
Workshop Attendees	NIL	NIL
Campaign work	NIL	NIL
Right to buy verification enquiries reported		
		5
Outstanding Right To Buy (RTB) Documents / Visit		
		0
Homelessness verification enquiries reported		
		0
General housing verification enquiries		
		1
Ermine Street		
		0
Local Authority Data Sharing Hub (LoCTA)		
		26
DWP SPOC (Single Point of Contact) enquiries		
Local Authority Information Exchange (LAIEF)		
		5
General		
Data Protection Act requests - External		
		3
National Fraud Initiative Matching (NFI)		
Biennial exercise - Records closed		
		160
Annual exercise CT (Council Tax) / SPD (Single Person Discount) – Records closed		

Whistleblowing

Referrals received in the period:	1
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RIPA (Regulation of Investigatory Powers Act)

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.

Note

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

Agenda Item 9



**South
Cambridgeshire**
District Council

REPORT TO: Audit & Corporate Governance
Committee

1st December 2022

LEAD OFFICER: Monitoring Officer

REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - UPDATE ON USE OF RIPA

Executive Summary

1. The purpose of this report is to update Members of the Audit and Corporate Governance Committee on the use of RIPA powers since the committee last met.

Key Decision

2. No

Recommendations

3. It is recommended that Audit & Corporate Governance Committee note the Council has not used surveillance powers since the Committee last met or between the period September 2022 – November 2022.

Reasons for Recommendations

4. The committee are to receive quarterly updates on the Council's use of Regulation of Investigatory Powers Act 2000 (RIPA) powers and to review the RIPA policy on an annual basis and make amendments as necessary.

Details

5. RIPA regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.
6. Following a Home Office Review into counter-terrorism and security powers the Protection of Freedoms Act 2012 was passed in May 2012 requiring all local

authority surveillance authorised under RIPA to be approved by a Magistrate from November 2012. The council’s policy and procedures were amended at that time to reflect these changes.

7. The Council comprehensively reviewed and updated its policy in September 2012 and last reviewed the policy in March 2022.
8. The Investigatory Powers Commissioner’s Office is responsible for the inspection of public authorities with regard to compliance with RIPA. The Council was the subject of a remote inspection on the 24th February 2021 and the report concluded that the information provided demonstrated a level of compliance that removes, for the present, the requirement for a physical inspection. The Inspector also commented that the policy was a well written document and easy to read.
9. There have been no changes to the legislation since the last revision of the policy in March 2022.

The council’s use of RIPA since July 2022

10. The information in the table below summarises the authorisations granted from September 2022 to November 2022.

	Directed surveillance	CHIS	Total
March 2021 – December 2021	0	0	0

Options

11. Members are required to note the report.

Implications

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

Financial

13. None

Legal

14. Authorisation of surveillance activity gives that surveillance “lawful authority” for the purposes of the European Convention on Human Rights.

Staffing

15. None

Risks/Opportunities

16. See legal.

Equality and Diversity

17. See legal.

Climate Change

18. None

Background Papers

RIPA Policy

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