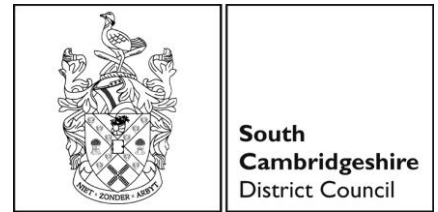


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11 March 2024

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

Quorum: 3

Substitutes: Councillors Graham Cone, Sue Ellington, Dr. Richard Williams,
Bunty Waters, James Hobro, Dr Lisa Redrup, Pippa Heylings and
Jose Hales

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 **Tuesday, 19 March 2024 at 10.00 a.m.**

Yours faithfully
Liz Watts
Chief Executive

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 23 January 2024 as a correct record.	5 - 8
4. Public Questions If you would like to ask a question or make a statement, then please refer to the Document called Public Speaking Scheme (Physical Meetings) and contact Democratic Services by no later than 11.59pm three clear working days before the meeting.	
5. 2022/23 Accounts Progress, 2023/24 accounts and future audits	9 - 12

6.	Governance Risk and Control Update	13 - 28
7.	Six-Monthly Strategic Risk Report	29 - 38
8.	Treasury Management Performance Report: Quarter Ending 31 December 2023	39 - 56
9.	Regulation of Investigatory Powers Act 2000 (RIPA) Policy and Update on Use of RIPA	57 - 88
10.	Matters of Topical Interest	
11.	Date of Next Meeting Please note that an additional meeting will have to be arranged for this municipal year to agree the 2022/23 accounts.	

The Council is committed to improving access to its agendas and minutes for all members of the community. We try to take all circumstances into account, but if you have any specific needs we will do what we can to help you. Please contact Democratic Services on 01954 713 000 or email democratic.services@scambs.gov.uk.

Further information for members of the public can be found at the below link.
[Link to further information for members of the public attending South Cambridgeshire District Council meetings.](#)

If you wish to ask a question or make a statement at a meeting, please refer to the Public Speaking Scheme at the below link.
[Link to the Public Speaking Scheme](#)

Further information for Councillors
[Declarations of Interest – Link to Declarations of Interest - Information for Councillors](#)

Councillors are reminded that Democratic Services must be advised of substitutions in advance of meetings. It is not possible to accept a substitute once the meeting has started.

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Agenda Item 3

South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Tuesday, 23 January 2024 at 10.00 a.m.

PRESENT: Councillor Michael Atkins – Chair
Councillor Peter Sandford – Vice-Chair

Councillors: Geoff Harvey Mark Howell
Richard Stobart Heather Williams

Officers: Patrick Adams Senior Democratic Services Officer
Peter Maddock Head of Finance

Auditors: Andrew Cardoza KPMG
Jonathan Tully Head of Shared Internal Audit

Councillor Helene Leeming was in attendance remotely.

1. Apologies for Absence

Apologies for Absence were received from Councillor Helene Leeming, who attended the meeting online.

2. Declarations of Interest

Councillor Heather Williams declared an Other Registerable Interest as a member of the Greater Cambridge Partnership Joint Assembly.

Councillor Peter Sandford declared an Other Registerable Interest as a non-remunerated director of South Cambs Ltd trading as Ermine Street Housing.

Councillor Richard Stobart declared an Other Registerable Interest as a director of both South Cambs Investments Partnership and South Cambs Projects.

Councillor Mark Howell declared an interest as a County Councillor.

3. Minutes of Previous Meeting

The minutes of the meeting held on 28 November 2023 were agreed as a correct record.

4. Public Questions

None.

5. Annual Governance Statement and Local Code of Governance

The Head of Internal Audit presented this report on the draft Annual Governance Statement for 2021/22. It was noted that this needed to be agreed before the Statement of Accounts.

It was understood that the External Auditors still needed to review the Annual Governance Statement.

Members of the Committee made the following points:

- Including track changes in the Local Code of Corporate Governance document was welcomed, as it highlighted the amendments.
- Paragraph 23 should be amended to include a definition of the words “code” and “coding”.
- There were additional ways of engagement not listed under point 6 of the Local Code of Corporate Governance.
- The significance of the Medium Term Financial Strategy should be made more explicit.

The Head of Internal Audit assured the Committee that the Council’s internal auditors would continue to evaluate the authority’s services with regards to value for money and would keep the Committee fully apprised and updated on its work.

The Committee **agreed** to approve the Annual Statement of Accounts 2021/22.

6. Approval of the draft accounts for 2021/22 and arrangements for the completion of accounts and audit for outstanding years

The Head of Finance introduced this report, which presented the draft accounts for 2021/22 for approval. It was noted that it was unclear if the 2021/22 and 2022/23 accounts would be subject to a full audit. More guidance from the Government on this matter was required.

Minor amendments

The number of years mentioned in paragraph 5 of the report was amended to 4 years. It was noted that the last sentence of the paragraph under the heading “Summary of Financial Performance” on page 48 should read “... Statement of Accounts.” On page 142 an apostrophe needed to be added to the word “Councils” in the row in the table for the Civic Affairs Committee.

Councillor Heather Williams made the following points:

- The Greater Cambridge Shared Planning variance of £1,417,000 required an explanation.
- The notes to the Statement of Accounts should not use abbreviations.
- The difference between councillors’ mileage claims in 2021 and 2022 should be explained.
- The gap between £89,999 and £105,000 in the remuneration bands on page 103 needed to be explained.

Work of external auditors

The Head of Finance explained that no external audit work from EY was currently scheduled, as they were waiting for guidance from the Government on how the 2021/22 and 2022/23 accounts should be audited. The Council was meeting with representatives from EY on 30 January to discuss this matter further. It was understood that EY wanted to complete the audit of the 2021/22 accounts but were unlikely to open a new audit whilst Government guidance was expected.

Andrew Cardoza of KPMG reported that his team had issued questions to officers

regarding the 2023/24 accounts and were hoping to start work in March but opening balances were required from the 2022/23 accounts.

Councillor Heather Williams suggested that EY were contractually obliged to audit the Council's accounts.

Councillor Helene Leeming expressed concern that the 2021/22 and 2022/23 accounts were not being audited and she asked how the figures for the Council's assets and liabilities were being verified. The Head of Finance explained that these figures were being checked in the normal way and would be subject to some form of external audit. He informed the Committee that KPMG had assured the Council that they will do a full audit on the 2023/24 accounts.

Timeline

The Head of Finance agreed to produce a timeline for the auditing of the 2021/22, 2022/23, 2023/24 and 2024/25 accounts. He explained that additional resources would be required for officers to support a full audit of the 2021/22 and 2022/23 accounts by September.

General Fund

The Head of Finance explained that any increase in the value of assets would only affect the General Fund when the assets were sold. It was noted that page 49 of the agenda provided a narrative statement on the General Fund.

Covid-19 pandemic

The Head of Finance reported that page 51 of the agenda had three paragraphs on the effect of the Covid-19 pandemic and its aftermath.

Exit package cost

It was noted that the table on page 104 needed to be amended as there had been one exit package in the £80,001 to £100,000 cost band but the total cost in the table was zero. The Head of Finance agreed to contact HR regarding this and relay the reply to the Committee.

A vote was taken and the Committee unanimously

Agreed to approve the draft accounts for 2021/22 reproduced at Appendix A.

The Committee

Noted that

- A)** The 2021/22 and 2022/23 accounts are unlikely to be subject to a full audit as the proposed deadline for the two outstanding years is likely to be 30th September 2024.
- B)** The change of auditor for 2023/24 and the following 4 years to KPMG and that additional work is likely to be needed by them to get sufficient assurance for that year.

7. Matters of Topical Interest

It was noted that there would be a report on the Council's use of the Regulation of Investigatory Powers Act (RIPA) at the next meeting on 19 March at 10 am. It was

understood that the Council had not yet made use of the Act this municipal year.

The Meeting ended at 11.00 a.m.

Agenda Item 5



Report to:	Audit and Governance	19 th March 2024
Lead Cabinet Member:	Councillor John Williams, Lead Cabinet Member for Finance	
Lead Officer:	Peter Maddock, Head of Finance	

2022/23 accounts progress, 2023/24 accounts and future audits.

Executive Summary

1. The draft statement of accounts for the year 2021/22 were approved in January 2024 and the draft accounts for 2022/23 are currently in progress. It is expected that these will be ready by 31st March 2024. Once completed the accounts will need to be approved by this Committee at an additional meeting in May 2024.
2. EY have been carrying out their value for money work on both 2021/22 and 2022/23 and will be reporting on that in due course. They have also said they will not be carrying out a full audit and are intending to issue a disclaimer in whatever the agreed wording format is, for both 2021/22 and 2022/23.
3. For 2023/24 the closedown and accounts preparation will be carried out in line with the prescribed timetable, if at all possible, and the Councils auditors for that year will be KPMG who are intending to start their work during October 2024.

Recommendation

4. That Committee note the current position regarding the accounts for 2022/23, and the intention to carry out the accounts preparation for 2023/24 to the prescribed timetable with the audit commencing during October 2024.

Details

2022/23 Accounts

5. The Council is currently preparing the draft accounts for 2022/23 with an expected completion date of 31st March 2024. Once the draft accounts have been completed they will be published as soon as possible after that, the 30 working day public inspection period will then commence. An additional meeting will need to be convened to approve the draft accounts and this is likely to be in the second half of May 2024.

6. There are now a very significant number of local authorities who are not up to date with their annual accounts and audit processes and this has become an increasing problem over the last 2 or so years. The reasons for this are complex and it has become clear that some fairly drastic action needed to be taken to rectify the situation. Because of this the Government has proposed a catch up plan for all outstanding accounts to be completed by 30th September 2024.
7. The Council has been liaising closely with EY and they have confirmed that whilst they are continuing with their value for money work on both 2021/22 and 2022/23 they will not be carrying out their normal audit procedures for those years and intend to follow the disclaim route. This means that the auditors will make a statement that they give no opinion on the accounts. A very significant number of local authorities will be in the same position as South Cambs and whilst it is not clear exactly what form this disclaimer will take there needs to be a consistent approach applied across the sector.

2023/24 Accounts

8. For 2023/24 the intention is that the accounts will be closed down and prepared to the prescribed timetable of 31st May if at all possible. However given the significant issues experienced in the past and that the audit will not commence until October 2024 it would be foolish to rush the 2023/24 accounts if we don't need to, so this will be kept under review as things progress.
9. KPMG will be doing a full audit of the 2023/24 accounts from October and they will have until 31st May 2025 to complete this. It has been suggested that some work will be carried out on the opening balances to at least provide some assurance on the starting position but it is not clear exactly how much work and what this entails. If possible an update will be given on this aspect at the meeting. Given that there will be 8 months allowed for the audit to take place there should at least be some time to do the preliminary work suggested.
10. The proposed dates for subsequent years have now been released so for example the 2024/25 accounts would need to be completed by 31st March 2026 and longer term the date of 30th November is proposed for 2026/27 and 2027/28. This seems a reasonable approach and gives time for the new arrangements to bed down and hopefully ensure the accounts and audit process does not end up back where it is at the moment.

Options

11. The report asks the committee to note the current position on the draft accounts for 2022/23. The other option is not to consider this 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 and Fraud Risk

13. Timely and robust consideration of the Council's budgets is vital to ensure that financial statements are correctly stated, financial procedures are followed and that the financial position of the Council is effectively managed and monitored.
14. The assessment and management of fraud risk is an integral part of the final accounts and audit process and the Council is required to report on any fraud experienced and the arrangements it has in place to prevent and detect fraud. The Council has robust arrangements in place that includes our corporate fraud team, internal audit and this committee has fraud risk and management within its terms of reference.
15. The proposed catch up arrangements potentially add additional risk to the process but these should be mitigated by preliminary work by KPMG to satisfy themselves that the opening position in 2023/24 is materially correct.

Legal

16. There is a requirement under the Accountancy and Audit Regulations for Council's to present their accounts for the preceding financial year for audit by 31st of May each year and for those accounts to be audited and published by 31 July each year. The report highlights that these dates will be changed going forward and given the historical issues experienced this makes a lot of sense and should ensure the catch up process is successful and is sustained longer term.

Risks/Opportunities

17. There is a risk that the financial statements are incorrectly stated with consequential impacts. The purpose of the external audit is to mitigate this risk. This is still a significant risk going forward but with dedicated experienced resources now tasked with dealing with auditor queries and accounts completion the risk should be mitigated.

Alignment with Council Priority Areas

A modern and caring Council

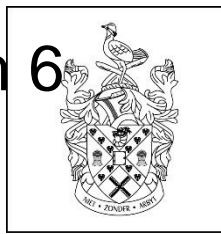
18. Producing an annual statement of accounts is key to supplementing the financial information already in the public domain, to ensure the full transparency of the Council's financial affairs.

Appendices

None

Report Author:

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



REPORT TO: Audit and Corporate Governance
Committee

19 March 2024

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:

Jonathan Tully – Head of Shared Internal Audit

Telephone: (01223) 458180

Email: jonathan.tully@scamb.gov.uk



Committee update March 2024

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
Safeguarding - Modern Slavery 	Assurance: Current: Previous: Actions: Critical High Medium Low	Full New review 0 0 1 4	<p>The Council has an important role to play in tackling modern slavery. Proposed changes in legislation will require public sector organisations to publish their modern slavery statement on the Government’s online registry.</p> <p>We reviewed the Council’s arrangements for tackling Modern Slavery against the four key areas published within the Local Government Association (LGA) guidance “Council guide to Modern Slavery”.</p> <p>They have demonstrated a range of activities have taken place within all 4 themes of council activity – identifying and referring victims; supporting victims; disruption and prevention; and mitigating the risk of modern slavery in council supply chains. The Council have been proactive in tackling modern slavery. Examples include producing a training presentation which will be rolled out to staff and working with a range of partner agencies to raise awareness.</p> <p>The Council has published a 2023-2024 Modern Slavery Statement in advance of legislation becoming mandatory. We have agreed one medium and four low level recommendations to assist in the council’s arrangements for tackling modern slavery and promoting their Modern Slavery Statement.</p>

Review	Assurance and actions		Summary of report
Procurement – Declarations of Interest 	Assurance: Current: Reasonable Previous: New review Actions: Critical 0 High 0 Medium 2 Low 4		<p>The Code of Conduct requires employees to declare potential conflicts of interest. Supplier, payroll and Companies House data was supplied to the Cabinet Office as part of the National Fraud Initiative exercise. Comparing these datasets can indicate potential conflicts of interest which should be managed by our Council policies.</p> <p>Our data analytics and review did not highlight any significant areas of concern.</p> <p>We reviewed policies and procedures, and this identified potential compliance risks with the Code of Conduct. We agreed actions with Monitoring Officer to review the process and promote the policies with employees. Raising awareness will also help mitigate the risk of non-compliance with the Code.</p>

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.



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. Nationally it is estimated that this work has identified £1.69 billion of local authority fraud, errors and overpayments since 1996. 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 recently completed the data submission for the 2023/2024 exercise. This includes extracting, checking and processing data from Council systems; plus reviewing compliance with data protection regulations. Relevant datasets in this exercise include: Council Tax and reductions and the Electoral Register. This exercise provided assurance about the quality of data we hold, and our information governance. The data supplied to the Cabinet Office can be used in various counter fraud work, such as the CCFI exercise highlighted later in this report.

Continuous improvement

The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the Internal Audit activity. This includes periodic internal assessments, plus external assessments that are conducted by a qualified, independent assessor. In 2018 CIPFA independently verified that we “Generally Conform” with the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN), which was the top level.

New [Global Internal Audit Standards](#) have just been issued following a consultation and review in 2023. It is possible that there will be a refreshed PSIAS to reflect any professional changes. The implementation date for the new standards is likely to take 12-24 months. We will keep up to date with standards revisions so they can be adopted promptly.

We completed our annual internal review which provides assurance that we continue to meet the existing standards. We are preparing for an external review and will consider the best approach based on the emerging guidance.

We have been maintaining continuous professional development in the team.

One of our team objectives is to build upon our existing data analytical skills, and we have recently undertaken some Power Query and Power BI training to consolidate our existing knowledge.

We attended workshops from the Institute of Internal Auditors annual conference. Areas of development included topics across themes such as Artificial Intelligence, sustainability, procurement, governance, risk, and data analytics.



Audit Committee - Independent Member

Following the recent meeting of [Civic Affairs Committee](#), to agree the term of “resident” as “a person who lives or has their home in Cambridgeshire”, we have started the process for recruiting an Independent Member of the Audit & Corporate Governance Committee.

Our progress:



We expect the advert to go-live shortly, with the aim of appointing the Independent Member for the new Municipal Year.

Counter Fraud update

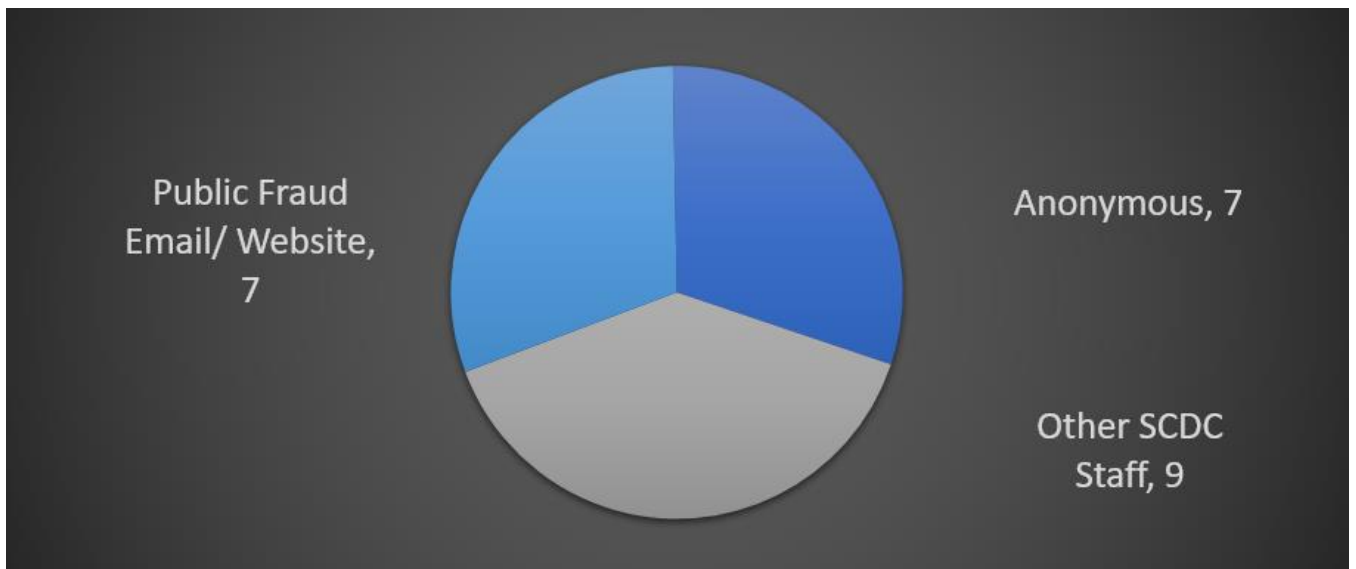
Fraud Team Statistics – our quarterly position

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:

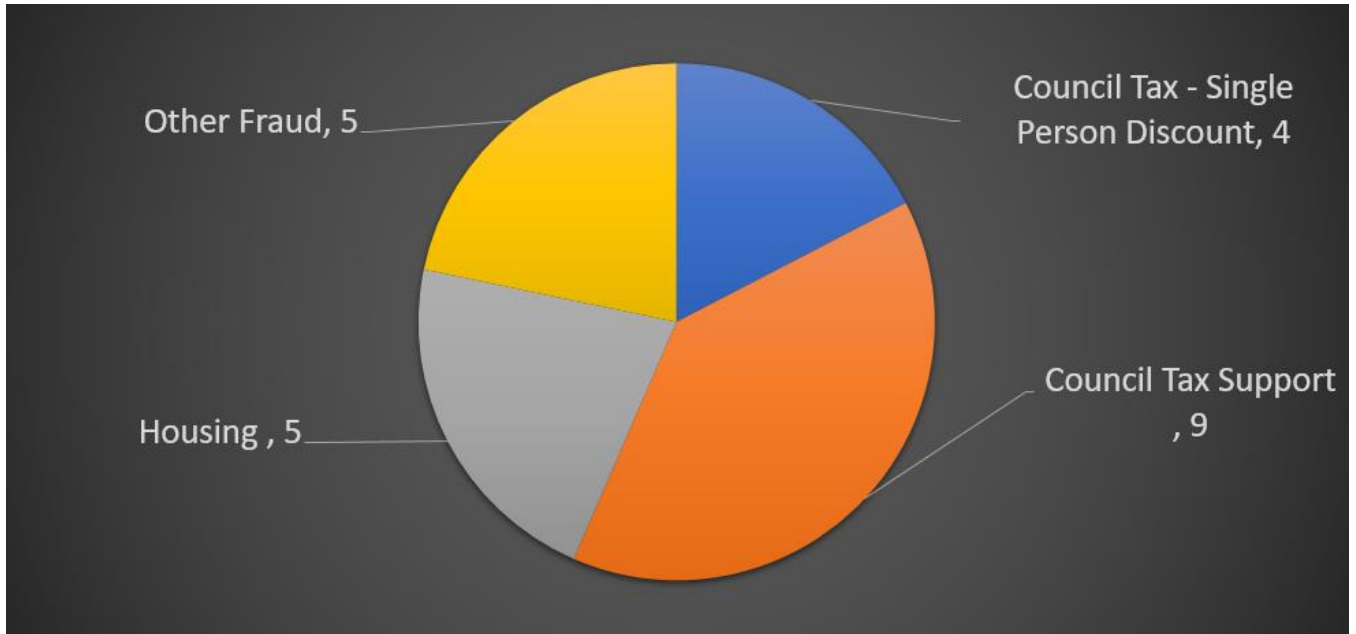
Source category	Count Q3
Anonymous	7
Other SCDC Staff	9
Public Fraud Email/ Website	7
Grand Total	23



Fraud by type

Analysis by fraud type:

Type category	Count Q3
Council Tax - Support	9
Council Tax - Single Person Discount	4
Housing	5
Other Fraud	5
Grand Total	23



[Investigations in progress](#)

Case Status	Number of Cases	Key
Live Investigation	62	
Interview Under Caution (IUC)	2	
Sanction decision		
Criminal Prosecution Administrative Penalty Caution Prosecution and Civil action Civil Warning Letter No Further Action Notice to quit (Secure or flexible tenancy) Notice of proceedings for possession (intro tenancy) / Notice to Seek possession (secure and flexible)	Cases have been progressed to an outside agency.	

[Investigations Closed](#)

Closure Reason	Number
A14 Uneconomical to investigate	
A10 No criminal Action, referred for Civil Action.	
A11 Not investigated, passed for visit	
A13 Not investigated - not on benefit	
A4 Closed - claimant error only	
A5 Closed- no fraud established	1
A7 Not investigated - passed to DWP	
A17 Would not affect benefit entitlement	

Proactive work – prevention

Education	
Workshop Attendees	
Campaign work	In November 2023 we launched the campaign #DoTheRightThing . More information on this below.
Verification checks	
Right to buy verification enquiries reported	
Outstanding RTB Docs/Visit	
Homelessness verification enquiries reported	
General housing verification enquiries	
Ermine Street	
Locta	
DWP SPOC enquiries	
LAIEF's	
General	
DPA requests	
National Fraud Initiative Matching (NFI)	
Records completed: Biennial	800
Records completed: Annual Recheck	1849

Whistleblowing

Referrals received in the period:	0
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RIPA (Regulation of Investigatory Powers Act)

Cases of RIPA used in period:	0
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Preventative Work: #DoTheRightThing campaign is launched

Fraud Awareness #DoTheRightThing

If you are in doubt about the information you need to provide South Cambridgeshire District Council for access to services and assistance, let us help you to complete documentation correctly.



If in doubt,
don't fill it
out without
advice

Residents are being urged to #DoTheRightThing when filling in forms to access services and benefits in a campaign launched during International Fraud Awareness Week.

South Cambridgeshire District Council has added a reminder at the start of all its online web forms via a new graphic saying: 'if in doubt don't fill it out without advice.'

The #DoTheRightThing graphic is on all forms involving a monetary benefit or a benefit in kind, such as Benefits, Council Tax, Elections, Housing, Licensing and Planning, to remind residents of the importance of completing forms correctly.

The #DoTheRightThing campaign is being launched in [International Fraud Awareness Week](#) which runs from November 12-18.

Cllr John Williams, Lead Cabinet Member for Resources, said: "Fraud costs councils money and precious time and may take away services from people in need. For example, housing fraud costs people in need a roof over their head and lengthens council waiting lists. We hope our campaign urging people to #DoTheRightThing will ensure people stop and think before completing forms for monetary or any other type of gain. Public sector fraud is ultimately borne by taxpayers, so any measures that reduce fraud in a cost-effective way are to be welcomed."



Fraud Awareness #DoTheRightThing

If you are in doubt about the information you need to provide South Cambridgeshire District Council for access to services and assistance, let us help you to complete documentation correctly.

- ⊗ Avoid conviction
- 🏠 Avoid losing your tenancy
- 👤 Avoid having debt recovery taken against you

If in doubt,
don't fill it
out without
advice

If you need advice, talk to one of our teams.
www.scambs.gov.uk/your-council-and-democracy/contact-us/



Preventative Work: AppCheck

We have been participating in a free trial of a system called AppCheck, which means we can review Housing applications at the start of the process.

AppCheck is provided by the National Fraud Initiative as an application verification system. It helps reduce the number of fraudulent and erroneous applications by validating information provided at the point of application against the NFIs comprehensive data sets.

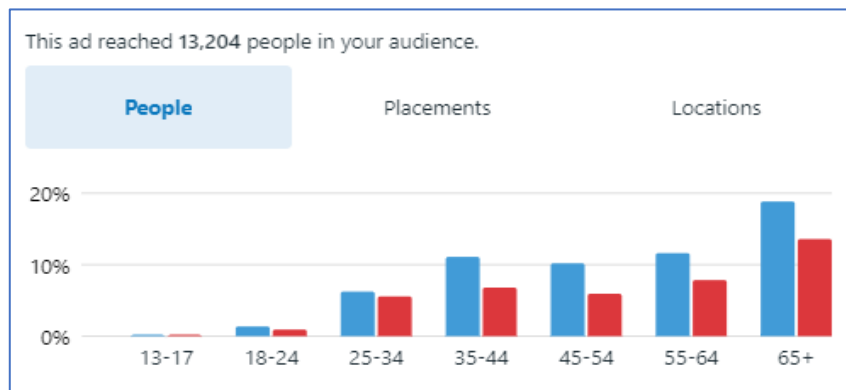
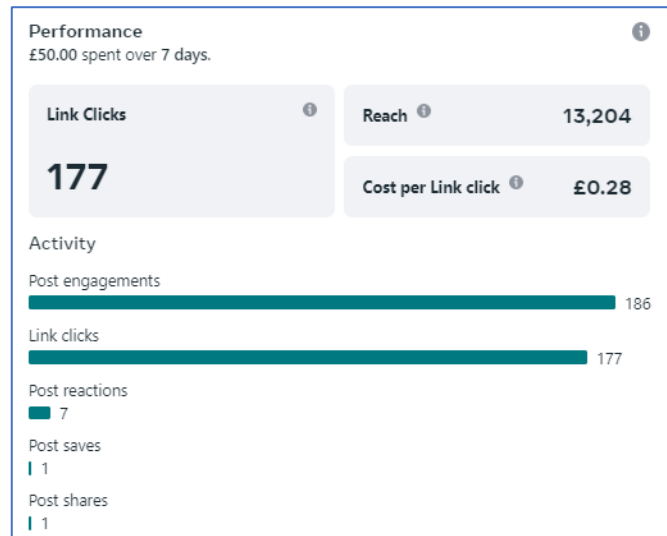


Preventative Work: Engagement

Our Campaign statistics show an increase in engagement.

In January 2024, we boosted our efforts to encourage people to seek advice, especially considering the financial challenges that often follow the Holiday season.

These screenshots show how we are using tools to measure our engagement.



Council Tax Counter Fraud Initiative (CCFI)

The Council has been progressing the CCFI project since early August 2023. This is a County Council funded project aimed at verifying that Council Tax Single Persons Discounts (SPD's) are being correctly claimed, using a data matching exercise on a number of data sets.

Where the data matching highlights an issue, a letter is sent to the charge payer requesting that they provide evidence that they are entitled to the SPD. If they are unable to do so or do not respond within the 28 days given, the SPD is removed.

Reported 'savings' achieved are based on the additional Council Tax due from the date the charge payer was ineligible to the end of the current financial year plus two years from 1st April 2024.

The cumulative savings achieved to date are around £477,000. The additional Council Tax income to the District council is around 15% of the backdated amount and 15% of the yearly forward-looking amount.

Other updates in brief

<p>Best practice</p>	<p>Following our own successful work in February 2023, we were contacted by Dudley Council for support and advice on running a similar Key Amnesty initiative.</p> <div data-bbox="632 938 1243 1323" data-label="Image"> </div>
<p>Continuous Professional Development</p>	<p>Investigating Officers have all undertaken training or refresher training to use Authorised Officer Powers and successfully completed assessments.</p>
<p>Home Affairs Committee</p>	<p>The Home Affairs Select Committee met on 17 January 2024 to discuss how fraud supports organised crime and terrorism. They examined what modern fraud looks like in the UK and how effective current strategies are at protecting the public from this form of crime; and examined the links of fraud to serious organised crime and terrorism.</p>

Training and development and risk insight

Below are topical updates that the Committee may find useful.

Treasury Management

The Centre for Governance & Scrutiny have produced a [guide on Treasury Management](#). This guide is designed to provide advice to councillors, and the officers who support them, on how the way that councils manage and control their financial assets. This work, usually known as “treasury management”, is key to councils’ ability to manage public funds in a responsible way.

This guide explores the basics of treasury management in local authorities and suggests how such issues might be scrutinised. It covers how you might approach ongoing scrutiny of the council's treasury management policies and practices, in the context of focusing on those areas where scrutiny might add most value in what is a complex regulatory environment.



Sector Risk Profile

The Regulator of Social Housing sets out the main risks facing the social housing sector and some of the actions registered providers should be taking to manage those risks in their [annual risk profile report](#).

The report intended to help boards have a better understanding of those risks, in an increasingly complex and diverse sector.



Oflog tasked with creating early warning system

This [news article](#) introduces the draft Office for Local Government [Corporate Plan](#).

[Oflog](#) will have three strategic objectives: increase society’s understanding of council performance, warn authorities that risk serious failure and support sector-wide improvements.



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	EY (Ernst & Young) is our current externally appointed auditor
KPMG	KPMG is our future 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.

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Agenda Item 7



South
Cambridgeshire
District Council

Report to:	Audit and Corporate Governance Committee 19 March 2024
Lead Officer:	Anne Ainsworth – Chief Operating Officer

Six-Monthly Strategic Risk Report

Executive Summary

1. This report provides details of the Council's current strategic risks, in the form of the Strategic Risk Register.

Recommendations

2. It is recommended that Audit and Corporate Governance Committee:
 - a) Review the current Strategic Risk Register at **Appendix A** and make any comments and suggestions as appropriate for future reporting on risk.

Details

3. Strategic Risks were previously reported to Audit and Corporate Governance Committee in October 2023. Since this time, the following activity has taken place to ensure that the Council's Strategic Risk Register remains an accurate and current reflection with regard to our strategic risks and control measures:
 - November 2023 - Strategic Risk log circulated to Corporate Management Team (CMT) for review. Feedback requested from CMT members.
 - December 2023 - Leadership Team discussed the Strategic Risk Register, including feedback from Audit and Corporate Governance Committee and CMT, agreeing a number of updates to risks and control measures (as detailed at paragraph 5).
 - January/February 2024 – the Strategic Risk Register was updated with the changes agreed at Leadership Team and circulated to members of Leadership Team, who fed back with further minor changes.
 - March 2024 – a further review of the Strategic Risk Register was undertaken by Leadership Team, with some additional changes agree (detailed at paragraph 5).
4. Ongoing review of service level risk registers has also been undertaken, with the help of risk leads identified in each area. Regular review of risk at this level is important to ensure effective management of risk within services, and escalation of high scoring or cross cutting risks to Leadership Team to consider addition to the Strategic Risk Register.

5. A summary of changes to the Strategic Risk Register since previous review at Audit and Corporate Governance Committee is as follows:

- SR34 – new risk added relating to increased frequency of extreme weather events as a result of climate change.
- SR21 – increase in residual risk score from 3x4 to 4x4 to account for latest situation relating to delivery of key infrastructure.
- SR15 – update to control measures to account for latest information regarding the Fair Funding Review.
- SR32 – new risk added relating to increased need for temporary accommodation.
- SR33 – new risk added relating to constrained resources and uncertainty within the Housing sector.
- SR23 – control measures update to refer to Cambridge Water Scarcity Group.
- SR35 – new risk added relating to MRF procurement exercise.
- SR22 – updated inherent likelihood score re delivery of 5 year housing supply from 3 to 4, and residual likelihood score from 2 to 3.
- SR18 – control measures updated to account for drafting of People Strategy and refresh and launch of staff values. Residual likelihood score reduced from 3 to 2 accordingly.
- SR36 – new risk drafted relating to Modern Slavery in response to recommendation from internal audit report relating to Modern Slavery prevention.
- SR21 and SR23 – updates made to account for recent publication of statements by government on water in Cambridge and joint position statement between Environment Agency, DLUHC and GCSP.
- SR14 – updates made to account for recent central government announcement on final accounts catch up process for local authorities.
- SR30 – updated to incorporate risk of financial penalties within ‘risk event’ description.

Risk Scoring and Categorisation Approach

6. In line with the Council’s Risk Strategy, the risks detailed at **Appendix A** have been scored using the following approach.

An impact score has been assigned using the following categorisation:

Score	Impact
5	Critical
4	Significant disruption and/or damage
3	Noticeable effect
2	Some limited disruption
1	Virtually no impact

A likelihood score has been assigned using the following categorisation:

Score	Likelihood
5	Dead cert
4	Probable
3	Strong possibility
2	Some possibility
1	Little chance

These two scores have been multiplied to obtain a total score. For example:

Impact score 3 x Likelihood score 3 = Total risk score 9.

7. For each risk on the risk log, this approach has been undertaken to obtain both an 'Inherent Risk' score (the score prior to control measures being taken), and a 'Residual Risk' score (the score that is anticipated once control measures have been completed).
8. The risks at **Appendix A** are displayed in order of residual risk score, from high to low. In addition, a colour-coding system has been used to provide a visual indication of Inherent and Residual risk scores, as detailed below:
 - Red is any strategic risk with a rating of 16-25 high risk
 - 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
9. Since the previous report to Audit and Corporate Governance Committee, a new column has been added to the log called 'Risk Event Category (PESTLED)'. This is to allow categorisation of the risk event using the following broad headings, for the purpose of analysis and review:

Political / Partnerships
Economic
Social (including staffing and communities)
Technological
Legal
Environmental
Delivery

Reasons for Recommendations

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

Implications

11. 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 and Fraud Risk

12. Some of the strategic risks contained within the Strategic Risk Register are Financial in nature, for example SR15, which relates to the impacts of the current economic climate. As such, the strategic risk log is an important mechanism for the logging and consideration of control measures that are required to manage financial risks.

Legal

13. Some of the strategic risks contained within the Strategic Risk Register relate to legal obligations of the Council. For example, SR24 relates to non-compliance with council housing legislation and the control measures for this risk detail the action that is being undertaken to ensure that the Council remains compliant.

Staffing

14. Some of the strategic risks contained within the Strategic Risk Register relate to Council staffing. For example, SR03 relates to technical skill shortages and the highly competitive employment market and high cost of living in the region. As such, the strategic risk log is an important mechanism for the logging and consideration of control measures that are required to manage staffing risks.

Climate Change

15. Some of the strategic risks contained within the Strategic Risk Register relate to the impacts or mitigation of climate change, as well as other environmental issues. For example, SR34 relates to the increased frequency of extreme weather events within the district as a result of climate change. SR12 relates to the delivery of the programme of work to reduce SCDC carbon emissions. As such, the strategic risk log is an important mechanism for the logging and consideration of control measures that are required to manage both the impacts of climate change and to ensure delivery of works to reduce carbon emissions in the district.

Health and Wellbeing

16. Some of the strategic risks contained within the Strategic Risk Register have the potential to impact on health and wellbeing. For example, SR16 relates to demand for housing outstripping supply, leading to an increased risk of homelessness. As such, the strategic risk log is an important mechanism for the logging and consideration of control measures to manage the impacts of risk on health and wellbeing.

Consultation responses

17. The contents of the Strategic Risk Register at Appendix A is informed through a process of ongoing internal engagement with service areas and Council leadership.

Alignment with Council Priority Areas

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

Background Papers

None.

Appendices

Appendix A: Strategic Risk Register

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Appendix A: Strategic Risk Register

URN	Date of Last Review	LT Risk owner	Risk Event Category (PESTLED)	Risk Event	Leading To	Resulting In	Inherent Impact Score	Inherent Likelihood Score	Inherent Total Score	Control Measure 1	Control Measure 2	Control Measure 3	Residual Impact Score	Residual Likelihood Score	Residual Total Score	Last review by	Review Notes / Comments
SR15	06/03/24	P Maddock	Economic	Economic pressures increase, (including Cost of Living and changes to funding system).	Recession; increased borrowing rates; reduction in public spending. Restrictions on PWLB borrowing. Reduction in income from businesses and residents.	Impact on budgets and SCDC investment plans. Economic growth reduces, impacting Local Government Settlement. Demand for services outstrip income.	4	5	20	Medium Term Financial Strategy updated regularly to track potential impact on the Council before the impact actually occurs - likely to be 2026/27. Regular contact with Pixel our MTFS advisors. Reviewing projection regularly to check reasonableness. Regular meetings with Link our treasury advisers to review borrowing and investment strategies in light of current conditions. Continue to actively monitor situation at service and LT level.	Economic Development Team providing Business Support and Commercial/Regeneration Investments. Promotion of support available to businesses and residents. Remain open to discussion on payments and remain proactive on financial management of debtors	Refresh Investment Strategy. Transformation Programme (including Service Reviews) to continue to identify opportunities for financial savings. Clear plan to be formulated to deliver savings/additional income over the medium term. Explore other opportunities to generate additional income in planning, work around growing the taxbase and Business Rates and exploring other commercial activities.	3	5	15	Peter Maddock	9/2/24 - control measures updated by Peter Maddock as per Dec LT discussions. The Fair Funding Review has been pushed back to 2025-26, however this does not have an impact on the risk score at this stage, just it's proximity.
SR22	13/12/23	P Campbell	Economic	Increased need for temporary accommodation, including use of Bed & Breakfast accommodation due to increasing numbers of homeless households due to external factors such as cost of living, refugee & asylum obligations	Significant overspend on temporary accommodation budget due to statutory obligations (86% increase in B&B spend compared to 2022/23).	Overall financial sustainability of the Council (Statutory requirement to provide temporary accommodation)	5	4	20	Increasing the availability of homes within Shire Homes Lettings and working in partnership with Ermine Street Housing.	Support from Housing Management to provide additional home for temporary accommodation when demand increases.	Monitor joint pathways with key agencies, i.e. criminal justice service, social services. Homeless prevention - advice, support and financial assistance.	5	3	15	Leadership Team	Dec 2024 - new risk adopted by LT.
SR21	06/03/24	S Kelly	Partnerships / Political	Failure to deliver partnership working to deliver infrastructure.	Failure to deliver key infrastructure (such as water supply and electricity) and improved transport and infrastructure for the public.	Impacts to the implementation of the Council's adopted Local Plan. Delays to delivery of strategic developments and/or GCP Making Connections. Less opportunity to address climate change through improved connectivity.	4	4	16	Close working with partners at Cambridgeshire County Council, Cambridge and Peterborough Combined Authority and Greater Cambridge Partnership, and strategic site developers.	Collaboration on consultations emanating from CPCA, GCP and GCSPS to ensure project outcomes are aligned.	Collaboration with partner organisations in relation to water supply (see control measures for SR23 for more information).	4	3	12	Stephen Kelly	06/03/24 - residual risk score updated from 4x4 to 4 (impact) x 3 (likelihood) following publication of statements by government on water in Cambridge and joint position statement between EA, DLUHC and GCSP.
SR33	13/12/23	P Campbell	Delivery	Constrained resources and significant uncertainty for the Housing Sector from deteriorating macroeconomic environment, resulting in high cost of inflation, tight labour market and housing market decline. Increased stock investment requirements, while ensuring fundamental requirements such as tenant safety and additional obligations set out in the Social Housing Regulation Act and revised Consumer Standards are met.	Potential trade-offs in priorities, such as reduction in the number of new council rented homes and shared ownership homes being delivered to off-set spend on maintaining existing homes to meet new regulative requirements, or trade-offs in terms of cyclical repairs and energy efficiency measures.	Inability to meet all core objectives set out in the Council's Asset Management Strategy for council homes and the Newbuild Strategy. Potential for reduction in delivery, reputational damage and/or increased financial costs	4	4	16	In the process of undertaking a self assessment of the Housing Regulator Requirements to identify any gaps ahead of implementation from April 2024, including reviewing the current Resident Engagement Framework.	Housing Stock Condition Survey underway for council properties which will set a clear baseline for improvements to our council properties - tackling those with the lowest energy performance first.	Apply for funding opportunities, including through the Affordable Housing Programme for new build and any energy efficiency funding available.	4	3	12	Leadership Team	Dec 2024 - new risk adopted by LT.
SR03	07/02/24	J Membery	Social (including staffing and communities)	Technical skill shortages, highly competitive employment market and high cost of living and housing in the region.	Difficulties recruiting, vacancies and shortage of skills and capacity in the organisation. Reliance on contractors. Increased stress and sickness.	Impact on service deliver. Failure to meet statutory deadlines. Damage to reputation and legal challenge. Increased expenditure due to use of contractors.	4	4	16	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.	Trialling a 4 day week scheme, if successful will attract staff to the Council for better work/life balance.	4	3	12	Jeff Membery	07/02/24 - update to take place following end of 1 year 4 day week trial period, based on overall assessment of impact on this risk.
SR24	13/12/23	P Campbell	Legal	Non-compliance with council housing legislation.	Risk to health and life.	Legal action. Reputational risk. Intervention by Regulator for Social Housing. At extreme corporate manslaughter.	4	4	16	Policies and procedures being developed to ensure assessments are carried out within timescales	Regular audits to ensure compliance with current regulations. Continuity checks with contractors records. External contractor engaged to review compliance risks.	External verification of processes.	4	3	12	Leadership Team	July 2023 - new risk adopted by LT.
SR28	13/12/23	A Ainsworth	Economic	Changing housing market impacting viability of South Cams Investment Partnership (SCIP).	SCIP fails to meet expectations and financial returns.	Reputational risk, failure to delivery additional housing, failure to deliver expected income.	3	5	15	Viability assessment is completed prior to board decision to proceed.	Residual value exists in the land.		3	4	12	Leadership Team	July 2023 - new risk adopted by LT.
SR29	13/12/23	P Campbell	Social (including staffing and communities)	Demand for refugee housing outstrips supply.	Increased risk of homelessness.	Increased homelessness, impacts on refugee welfare, potential increase costs and impacts on staff stress levels.	4	4	16	Re-matching of Ukrainian refugees with hosts.	General Housing Advice and intervention.	Purchase of properties through Local Authority Housing Fund for refugees.	4	3	12	Leadership Team	July 2023 - new risk adopted by LT.
SR34	07/02/24	B Esan	Environmental	Extreme weather events occurring within increased frequency within the district as a result of climate change	Redeployment of staff and resources to support communities and businesses in the district, plus coordination of response with partner organisations. Potential damage to Council properties and assets.	Impacts on continuation of business as usual Council services. Increase costs and demand on services.	3	5	15	Business and Service Continuity plans are in place, and are currently in the process of being updated.	Feed-in to Cambridgeshire and Peterborough Local Resilience (CPLRF) Severe Weather working group and the Severe Weather Plan, which dovetails with our own Emergency Management Plan.	Feed-in to CPLRF Climate Change working group looking at how we plan and mitigate the effects of climate change, feeding into our own plans.	2	5	10	Paul Parry and Alex Snelling-Day	Feb 2024 - new risk adopted following recommendation at Audit Committee and agreement at Dec 23 LT.
SR02	13/12/23	J Membery	Technological	Cyber security breach	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.	Legal and financial implications and reputational damage.	5	3	15	Active intelligence client with 3CICT to ensure the risk management approach to cyber security is active and industry good practice.	Ensure risks are reported and discussed at IG boards, to Shared Service Boards and are included in the ICT Business plan.	We now have a cyber security team sat within 3C ICT - keep up to date with the latest cyber threats, ensure security releases are installed in Council devices and communicates with Intelligent Client where any potential security breaches occur. Additional control measures include: Risk Management; Secure Configuration; Network Security; Managing user privileges; Incident management; User education and awareness; Malware prevention; Monitoring; Removable media controls; Mobile Working.	5	2	10	Leadership Team	05/07/23 - control measures updated by Jeff Membery.
SR23	06/03/24	S Kelly	Environmental	Ability to deliver Local Plan due to limitations on water and utilities.	Impacts on the 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.	3	4	12	Effective input into infrastructure planning through engagement with statutory providers, or bodies like the Greater Cambridge Partnership.	Comprehensive engagement with the Environment Agency, DLUHC / DEFRA on short term water management measures, as part of input to Cambridge Delivery Group.	Support for development of effective Water Resources Management Plan (WRMP) modelling joint local plan growth levels. Engagement with government on a joint position statement to facilitate planning decision making.	3	3	9	Stephen Kelly	06/03/24 - residual risk score updated from 3(impact) x 4 (likelihood) to 3x3 following publication of statements by government on water in Cambridge and joint position statement between EA, DLUHC and GCSP.

Appendix A: Strategic Risk Register

URN	Date of Last Review	LT Risk owner	Risk Event Category (PESTLED)	Risk Event	Leading To	Resulting In	Inherent Impact Score	Inherent Likelihood Score	Inherent Total Score	Control Measure 1	Control Measure 2	Control Measure 3	Residual Impact Score	Residual Likelihood Score	Residual Total Score	Last review by	Review Notes / Comments
SR09	13/12/23	A Ainsworth	Delivery	Failure to deliver Northstowe civic hub and other community buildings	Risk of project failure to deliver on time and to budget.	Additional costs; delays to service and community provision; reputational damage.	5	3	15	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.	3	3	9	Leadership Team	
SR11	13/12/23	A Ainsworth	Technological	Failure to effectively manage, control and utilise data and intelligence across the council	Decisions and planning processes based on inadequate / missing information	Reduced quality of delivery, reputational damage	3	4	12	Data and Intelligence Community of Practice in development; options for service improvements and partnering being developed.	Completion of Data Maturity Self Assessment to help inform investigations into potential data strategies.	Training, Protocols & Sharing agreements.	3	3	9	Leadership Team	June 2023 - risk re-scored by Jeff Membery following discussion at LT. Inherent score increased from 9 to 12. Residual score increased from 6 to 9.
SR12	05/02/24	B Esan	Delivery	Failure to deliver programme of work to reduce SCDCs carbon emissions	Failure to reduce our carbon footprint by 45% by 2025 and 75% by 2030	Environmental and reputational damage. Reduced access to funding. Exposure to uncertainty linked to climate change (e.g. fuel costs).	3	4	12	Fleet decarbonisation programme in place and funded. Ensure electricity supply for electric vehicles - additional projects of solar farm for micro grid.	Strategy and action plan delivery - this is monitored by CEAC and the programme of projects is monitored by the cluster board. Business plan targets for climate and environment embedded across all departments - not just the Green to our Core cluster.	Implementation of the Asset Management Strategy relating to our council stock with a focus on decarbonisation. Utilising specialist skills and knowledge from the new repairs contract to support decarbonization, including supporting bids for funding.	3	3	9	Alex Snelling-Day	
SR22	13/12/23	S Kelly	Delivery	Failure to deliver housing and maintain 5 year housing supply (due to factors including changes in the national economic outlook, with some house builders slowing delivery rates)	Lack of suitable sustainable housing for residents The NPPF provides a tilted balance in favour of development applications.	Higher house prices, lack of workforce for businesses, shortage of transport and facilities.	3	4	12	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. Review of the Local Plan, to ensure an ongoing policy framework and identified developments to meet future needs.	3	3	9	Leadership Team	Dec 2024 - Inherent likelihood score updated from 3 to 4. Residual likelihood increased from 2 to 3.
SR35	05/02/24	B Esan	Delivery	Lack of bidder for MRF procurement or bidders cannot provide services as expected.	Outcome of MRF procurement exercise not as expected and lack of suitable alternatives in Cambridgeshire.	Potential to impact income (if prices are renegotiated) or viability of disposal of recyclable materials (with knock-on impacts for collections and logistics and costs around that). Impact on ability to deliver household and commercial recycling collections. Reputational impact.	4	4	16	Additional partner and potential contractor meetings taking place as required to run procurement exercise. Legal, technical and financial specialists engaged. Appropriate procurement route chosen to successfully engage market. Additional plans being discussed for next steps should procurement not be successful. Frequent communication with County Council in relation to their PFI contract position.	Undertaking research and evaluation exercises about alternative facilities that could be used as a short term solution.	Contract management in partnership with RECAP partners.	2	4	8	Rebecca Weymouth Wood	05/03/24 - wording updated by Bode Esan and Rebecca Weymouth Wood. 05/02/24 - risk escalated and updated from Shared Waste Risk Log following LT request Dec 24.
SR35	13/12/23	P Campbell	Economic	Ermine Street Housing (ESH) Council investment fails to deliver return	There are a range of factors that impact on ESH (included in the Housing Risk Register) that may impact on the future profitability on ESH.	Lower than anticipated returns on investment	4	4	16	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. ESG will complete a stock condition survey to allow a long term investment plan together with an acquisition and disposal strategy.	4	2	8	Leadership Team	March 2024 - minor wording update. Over time, a consequence of house price inflation will mean that value of assets will continue to grow, providing a buffer to ESH and protecting SCDC investment
SR36	13/12/23	P Campbell	Delivery	New Mears Contract fails to deliver service	Repairs not being completed on time and/or poor quality. Dependence on one contractor	Dissatisfaction from tenants and reduction in satisfaction levels potential action by regulator and risk of disrepair claims.	4	4	16	Robust monitoring of performance. Expectations and performance measures have been 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.	4	2	8	Leadership Team	
SR30	11/03/24	A Ainsworth	Partnerships / Political	4 day week trial is stopped prematurely by government or financial penalties are imposed that force the Council to return to a 5 day week.	Continued difficulties in recruitment and retention	Reduced ability to deliver high quality services (particularly in areas such as Planning) and the rise of agency spend to cover posts that are not filled by permanent recruitment; impact on staff morale	4	3	12	Concern raised by sector about government intervention has been strong, with responses sent by cross-sector membership groups.	SCDC has requested a meeting with DLUHC minister to understand their concerns, given early evidence of positive outcomes of the trial (financial and staffing). SCDC is complying with DLUHC Best Value notice and data requests.	Use of external independent research team to ensure objectively and independently verified data is produced.	4	2	8	Liz Watts and Kevin Ledger	11/03/24 - Risk event updated to incorporate reference to potential for financial penalties from government. Control Measure 1 updated to include reference to DLUHC best value data submissions. July 2023 - new risk added
SR31	13/12/23	A Ainsworth	Social (including staffing and communities)	4 day week trial is unsuccessful in achieving its aims of solving recruitment and retention challenge.	Continued difficulties in recruitment and retention.	Reduced ability to deliver high quality services (particularly in areas such as Planning).	4	3	12	Trial is being carefully monitored by officers and members (through Scrutiny of KPIs by O&S and employment impacts by E&S Committees).	Use of external independent research team will ensure objectively verified data is presented to members.	Recruitment to new posts advertising the benefits of working in a 4 day week environment.	4	2	8	Leadership Team	Risk to be update based on findings of end of trial report. July 2023 - new risk added
SR05	13/12/23	J Membery	Delivery	Failure to deliver organisational review and operating model.	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.	4	3	12	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.	Service Review governance involves members of LT, ensuring input into definitions of objectives for reviews.	Increased number of cross-service reviews requiring corporate monitoring and governance rather than relying on service only delivery.	3	2	6	Leadership Team	
SR10	13/12/23	L Watts	Partnerships / Political	Lack of clarity and Councilor involvement in what Shared Services are expected to deliver and how decisions are taken.	Inadequate Shared Service governance Failure to learn and apply learning to improve services	Shared Services not delivering against business plans. Failure to retain staff and provide resilience. Fail to deliver services.	4	2	8	full review of the partnership arrangements for 3C shared services being undertaken during 2024.	Quarterly performance, finance and risk reviews undertaken by Shared Service Director Board with each Head of Shared Service.	Shared Service Agreement signed by all Councils.	3	2	6	Leadership Team	

Appendix A: Strategic Risk Register

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SR16	13/12/23	L Watts	Social (including staffing and communities)	Cost of living crisis (impacting on residents)	Increased costs of energy and fuel, housing and food, alongside stagnation / reduction of income (wages, social security benefits such as Universal Credit).	Housing, food, bills less affordable and residents (particularly the vulnerable but also those 'just about managing') suffer physically and financially.	3	3	9	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 including mobile food vans to reach more rural areas.	Use of grant funding for additional staff for key areas, such as money advice and tenancy sustainability for those suffering from mental ill health.	2	3	6	Leadership Team	
SR18	11/03/24	L Watts	Social (including staffing and communities)	Organisational culture doesn't reflect organisational direction	Inappropriate skills, behaviours and attitudes in Managers and Staff. Ineffective use of resources. Poor Member-Officer partnership working, and a lack of a joined-up approach.	Reputational damage, failure to deliver, loss of partner engagement, low retention and recruitment	3	4	12	Appraisal and performance management processes in place. Good recruitment practices, including recent changes to support improved diversity (e.g. blind recruitment). Inclusive & enabling organisational structure now Well embedded. Development of Team Charters. Consideration of how to manage teams in a hybrid environment.	Well-developed Comms strategy and 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. A draft People strategy has been produced giving clear direction on best use of Human resources. SCDC staff values refreshed (with a number of staff and member sessions held to inform) and launched in early 2024. A staff working group has been set up tasked with embedding staff values throughout the organisation.	A range of internal and external training for all staff and members. Further development of CMT through a programme of training events, some of which will be mandatory.	3	2	6	Liz Watts and Kevin Ledger	11/03/24 - control measure 2 updated to account for refresh and relaunch of staff values, plus work to embed. 05/02/24 - updated by Jeff Membery. Residual likelihood reduced from 3 to 2 to account for drafting of people strategy. Reference to this document added to control measure 2.
SR20	13/12/23	L Watts	Partnerships / Political	Fail to harness synergies from partnership working (with e.g. CPCA, Health sector)	Fail to build programmes of work and improve existing services in line with available data, intelligence, partnership funding and collaboration opportunities.	Services not optimised or delivery prioritised as well as possible; funding opportunities not taken; residents failed by partners working in isolation.	3	3	9	CPCA Improvement Plan is supported by all CEOs across C&P and SCDC leads on one workstream.	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.	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. COO leads on a newly established C&P data sharing working group.	3	2	6	Leadership Team	
SR27	13/12/23	B Esan	Environmental	Fire on SCDC property (including Cambourne HQ)	Loss of (all or part of) building, structural integrity leading to possible loss of life of, or injury to, staff or customers	Possible injury or loss of life, financial costs of damage to the building, disruption to Council operations and services. Possible reputational damage if fire detection or prevention systems are found to be inadequate	5	3	15	Fire risk assessment completed, and regularly reviewed.	Fire safety management plan up to date, and regularly reviewed, alongside training and test and live evacuation drills.	Highest risks of fire are due to arson and electrical faults. Regular monitoring of potential sources of ignition / clearance. Thorough testing is regularly undertaken (PAT and fixed wire testing).	5	1	5	Leadership Team	March 2024 - broadened from just South Cambs Hall. Now relates to any SCDC property asset. June 2023 - escalated from Transformation, HR and Corporate Services risk log (THC21).
SR26	07/03/24	P Campbell	Social (including staffing and communities)	Occurrences of Modern Slavery (including human trafficking, slavery, servitude and forced or compulsory labour) within the district or as part of the Council's supply chain	Harm to individuals or groups of individuals	Human impact, reputational impact (in instances where Modern Slavery occurs within our supply chain or could have been identified and prevented), potential for legal action or financial costs (from possible penalties, and/or from fraud, which can take place as part of Modern Slavery).	4	2	8	The Council's Modern Slavery Statement is refreshed annually to review the steps that have and continue to be taken to ensure there is no modern slavery or human trafficking in any part of our business, including our supply chains.	An internal Audit report has been undertaken to provide assurance and make recommendations to ensure that the Council's approach to combatting Modern Slavery is suitably robust and effective.	A corporate safeguarding group runs, ensuring awareness and discussion of safeguarding issues (including Modern Slavery) across and between the Council's services. The Council engages with the Cambridgeshire Multi-Agency Safeguarding Hub to work with partner agencies (including the Police, Cambridgeshire County Council, Fire Service and Cambridgeshire and Peterborough Integrated Care System) to take a joined up approach to safeguarding, including the prevention of Modern Slavery.	4	1	4	Peter Campbell and Kevin Ledger	07/03/24 - new risk added in relation to Modern Slavery, in response to Internal Audit recommendation and to ensure this important risk is reflected and control measures maintained.
SR01	05/02/24	J Membery	Technological	IT infrastructure failure	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, and reputational damage.	4	2	8	Active intelligent client with 3CICT to ensure risk management approach to infrastructure failure is active and industry good practice (see notes for categories of control measures).	Ensure risks are reported and discussed at IG boards, to Shared Service Boards and are included in the ICT Business plan.	Services to ensure business continuity plans are updated by the end of Sept 2023 and submitted to a central registry (with hard copy also available). Hosted services can now be accessed directly rather than through network in event of failure. Communication through social media outside of the Council's network to mitigate impacts and ensure up to date comms. Additional control measures include: split-site data centre, resilience built into hardware and software, 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.	3	1	3	Jeff Membery	05/07/23 - control measures updated by Jeff Membery.
SR06	13/12/23	J Membery	Delivery	Failure of information governance, data management	Use of incorrect information and legal non-compliance. Loss or corruption of data, inability to access or share data.	Limitations to service delivery, possible financial and legal penalties and reputational damage.	3	2	6	Agreed additional funding for IG 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	1	3	Leadership Team	
SR07	13/12/23	J Membery	Delivery	Lack of clear documented digital strategy	Ad-hoc delivery of digital projects not contributing to SCDC objectives, diverting resources	Reduced savings, more unintegrated systems and increased maintenance costs. Less joined up information.	3	3	9	Commissioned an external organisation (6x3) to complete and document digital strategy to guide future IT procurement and delivery.	Include LT in "signing off" the strategy to ensure corporate buy in.	We now have a draft digital strategy which is in the process of being finalised.	3	1	3	Leadership Team	05/07/23 - control measure 3 added by Jeff Membery.
SR14	07/03/24	P Maddock	Delivery	Failure to catch up on producing the statement of accounts (SOA) (overdue, including approval of accounts to obtain unqualified audit opinion)	Resulting in increased stress and workload and diversion from other accounting responsibilities such as budget monitoring.	Reputational loss, and uncertainty over the Council's financial position	2	2	4	A Plan of actions and timetable is 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.	The SOA preparation process has been updated and more automation introduced using the SOA explorer model. This means the statement and notes can be produced quicker and with more accuracy. There are two additional fte's dedicated to the accounts catch up process avoiding significant impact on BAU activities. Training is and will continue to be provided to colleagues to enable the transition to accounts preparation and audit to be carried out.	A report is due to be made to Audit Committee in March 2024 to update on the current position. 2023/24 to be completed in draft by end June 2024 and audited by end March 2025. Attendance at CIPFA / external audit final accounts workshops.	2	1	2	Peter Maddock	07/03/24 - Inherent risk score reduced from 4 (impact) and 3 (likelihood) to 2 (impact) and 2 (likelihood) to account for recent central government announcement on final accounts catch up process for local authorities and removal of audit for 21/22 and 22/23.

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Agenda Item 8



Report to:	Audit & Corporate Governance	19 March 2024
Lead Cabinet Member:	Councillor John Williams Lead Cabinet Member for Resources	
Lead Officer:	Peter Maddock, Head of Finance	

TREASURY MANAGEMENT PERFORMANCE REPORT: QUARTER ENDING 31 DECEMBER 2023

Executive Summary

1. This report outlines the performance against the Council's approved Treasury Management Strategy for first nine months of 2023/2024, 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 quarterly period to 31 December 2023.**

Reason for Recommendation

4. The Committee has within its terms of reference a responsibility to review Treasury Management activity, and this report includes details of investment performance and treasury management activity for the quarter period 1 April 2023 to 31 December 2023.

Details

Treasury Management Strategy

5. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code), which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and to approve an annual report after the end of each financial year.
6. The Council's Treasury Management Strategy and prudential indicators for 2023/24 were approved by Full Council at its meeting on 21 February 2023.

7. Changes in the regulatory environment have placed a much greater onus on Members to undertake the review and scrutiny of treasury management policy and activities. This report is important in that respect as it provides details of the actual position for treasury activities and highlights compliance with the Council's policies previously approved by the Council.
8. 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 2023 to 31 December 2023 and the associated monitoring and risk management.
9. The Council has monies available for Treasury Management investment as a result of the following:
 - Positive cash flow.
 - Receipts (mainly from Government) received in advance of payments being made.
 - Capital receipts not yet utilised to fund capital expenditure.
 - Provisions made in the accounts for liabilities (e.g. provision for outstanding insurance claims or legal cases which have not yet materialised).
 - General and earmarked reserves retained by the Council.
10. Some of the source of funds identified above are short-term and investment of these needs to be highly 'liquid', particularly if it relates to a positive cash flow position which can change in the future. Future monies available for investment will depend on the budget position of the Council and whether the Council will need to substantially run-down capital receipts and reserves. Against a backdrop of unprecedented reductions in Government funding, the Medium-Term Financial Strategy and financial forecasts previously considered by the Council identify that ongoing revenue savings will be required to balance the budget in future years; there is a likelihood, therefore, that such actions may be required in the medium term which could reduce the monies available for investment.
11. In line with established practice, a full review of the Treasury Management Policy and Treasury Management Strategy Statement has been presented to Cabinet and Council as part of the 2024/2025 budget determination process. It is further intended that a mid-year review of the Treasury Management Policy Statement and Treasury Management Strategy will be undertaken with regard to their compliance to the CIPFA Prudential Code and the CIPFA Treasury Management Code, and to ensure their appropriateness in light of the Council's current investment and borrowing portfolios, and the ongoing delivery of the Council service objectives. This will be reported to this Committee at its scheduled meeting in November 2024.
12. The economic landscape has continued with uncertainty during the quarter period to 31 December 2023, with the ongoing financial challenges associated with the cost-of-living crisis in the UK and across the world, particular food, and energy prices. This is partly in response to the conflict in Ukraine and global recovery from the coronavirus (COVID-19) pandemic and high inflation levels acting as a dampener on growth and impacting on Council services. Consumer Price Index (CPI) inflation, as a measure of price rises, increased by 4.0% in the 12 months to December 2023, up from 3.9% in November and the first time the rate has increased since February 2023 (based upon the Office for National Statistics (ONS) information).

13. The prospects for economic growth appear limited and a cautious approach is being maintained given the level of uncertainty. It is expected that this trend will continue for the immediate future and it will, therefore, remain a priority to include the consequences of these prevailing trends in the Council's cash flow planning.
14. In response to the prevailing economic conditions the Bank of England Base Rate has been increasing during the financial year 2023/2024. The increase by 0.25%, to 4.25% from 23 March 2023 was followed by further increases, in response to market conditions, to 4.5% from 11 May 2023, to 5% from 22 June 2023, and to 5.25% from 03 August 2023. The base rate influences the interest rates that lenders charge for mortgages, loans and other types of credit.

Investment Activity

15. As at 31 December 2023, the Council held £130.2 million of invested funds (nominal basis), representing income received in advance of expenditure plus balances and reserves held. The Council's investment balances during 2023/2024, for the period to 31 December 2023, have averaged £134.9 million.
16. 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.
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 31 December 2023:

Investment Counterparty	01 April 2023	New	Matured	31 Dec 2023
Short Term:	£000	£000	£000	£000
Banks – Call/Liquidity Accounts	2,595	67,055	-67,955	1,695
AAA Rated Money Market Fund	2,365	225,780	-227,520	625
Clearing Banks	7,000		-7,000	Nil
Other Banks	5,000	20,000	-11,000	14,000
UK Local Authorities	19,000	62,000	-70,000	11,000
Building Societies	Nil			Nil
Housing Associations	Nil			Nil
Total Short-Term Investments	35,960			27,320

Investment Counterparty	01 April 2023	New	Matured	31 Dec 2023
Long Term:	£000	£000	£000	£000
South Cambs Ltd	100,000			100,000
Cambridge Leisure and Ice	2,400			2,400
Cambourne Town Council	500			500
Total Long-Term Investments	102,900			102,900

Total Investments	138,860			130,220
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18. The downward movement in value of £8.6 million is due to expenditure on New Build Schemes and the early payment in full of the A14 contribution that saved the Council £2.35 million over a period of 25 years.

19. The most significant movements in the portfolio are an increase of £9 million placed on Other Banks (£14m), and a decrease of £8 million on Local Authorities (£11m). A more detailed analysis of the investment portfolio as at 31 December 2023 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 with Financial Institutions which return 5.06% and Ermine Street Housing which returns 4.25%. Liquidity assets typically returned 5.36% over the quarter. This has to 31 December 2023 generated the Council a blended return of 4.42%.
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	%		
31 December 2023	3.30	127,320	15,695	12.3	134,881	4.42%
31 March 2023	2.70	138,860	12,000	8.6	147,898	4.21%

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. This will reduce as balances run down during subsequent quarter periods.

Borrowing Strategy

24. As at 30 December 2023, the Council held £205.123 million of long term debt (principal borrowed, excluding lease liabilities), no change on the position at 31 March 2023. The Council held £29 million of short-term debt at 31 December 2023.
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 2023 the Council had short-term local authority borrowing of £40 million in addition to £205.123 million of PWLB loans for HRA self-financing.
28. The table below sets out the movement in the Council's borrowing over the year to date. The Capital Financing Requirement (CFR) is reduced in the nine-month period to 31 December 2023 to reflect the Minimum Revenue Provision (MRP).

	01/04/2023	Maturing Debt	Interest Paid	Lease Payments	CFR Movement	31/12/2023
	£000	£000	%	£000		£000
CFR	329,356				(936)	328,420
Short Term Borrowing (a)	40,000	(11,000)	2.15			29,000
Long Term Borrowing (b)	205,123		3.51			205,123
Total Borrowing (a+b)	245,123					234,123
Other Long-Term Liabilities (c)	0					0
Total External Debt (a+b+c)	245,123					234,123

PWLB Certainty Rate and Project Rate Update

29. Councils are required to notify the Department for Levelling Up, Housing and Communities (DLUHC), formerly MHCLG, 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 2024. There is no penalty if the facility is not used.

Debt Rescheduling

30. 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.

2023/2024 Budget Monitoring

31. The Finance Team monitor and report on the Capital Financing budget on a regular basis. The latest position as at 31 December 2023 is shown in the table below:

	Current Budget	Forecast Outturn	Forecast Variance

	£000	£000	£000
Interest Payments	1,225	1,183	(42)
Minimum Revenue Provision	936	936	0
Total Expenditure	2,161	2,119	(42)
Investment Income	(5,879)	(5,919)	(40)
Commercial Property Rental Income (Net)	(1,528)	(1,528)	Nil
Total Income	(7,408)	(7,447)	(40)
Net Budget	(5,247)	(5,328)	(82)

32. Interest Payments are forecast to be lower than originally budgeted as the amount of short-term borrowing will be minimised. This is mainly due to expected slippage within the capital programme. There will be long-term borrowing obtained for the HRA during Quarter 4 to fund the Affordable Homes New Build Programme. It is expected to borrow £12 million during March 2024.
33. Minimum Revenue Provision forecast outturn is in line with estimate.
34. Investment Income is forecast to come in above estimate. 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 forecast outturn of £4.25 million as Ermine Street Housing completes its acquisition programme. The income from the Commercial Property portfolio in the financial year is in line with the estimate. Overall, income is expected to be ahead of budget as a result of interest rates and lower short-term borrowing balances.

External Economic Impact on Portfolio

35. The external economic context and market rate data is referenced in the Treasury Advisers report reproduced at **Appendix B**.
36. The Bank of England Base Rate of 4.25%, that applied effective from 23 March 2023, has increased several times during the year in response to market conditions (to 4.5% from 11 May 2023, then to 5% from 22 June 2023) before reaching its current level of 5.25% from 3 August 2023. The increase, compared to 2022/2023 levels, has increased the return on the Council's Money Market Fund holdings and on maturing deposits when reinvested.

Compliance with Performance Indicators

37. The Council has been compliant with the 2023/2024 Prudential Indicators approved by Full Council on 21 February 2023.
38. The Council measures and manages its exposures to treasury management risks using the following indicators:
39. Performance against prudential indicators in 2023/2024 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	19,000
Local Authorities	>12 Months <2 years	10,000
PWLB	10 – 15 years	25,000
PWLB	15 – 20 years	50,000
PWLB	20 – 25 years	50,000
PWLB	25 – 30 years	50,000
PWLB	30 – 35 years	30,123

(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	2 yrs	5,000

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 as at 31 December 2023
Long term (>1yr)		
Ermine St Housing	100,000	77
CLIC + Cambourne Town Council	2,900	2

Other Banks	5,000	3.5
Total Long term	107,900	
Short term (<365 days)		
Banks (Clearing)	1,695	3
Other Banks	9,000	3
Building Societies	Nil	0
Housing Assoc.	Nil	0
Local Authorities	11,000	9
Money Market Funds	625	0.5
Short Term (Working Cash Balance)	22,320	

Outlook for Quarter 3: 2023/2024

40. The Council will continue to use fixed term deposits and money market funds to manage cashflow. The Council investment balances increased in Quarter 3 and deposits have been timed to mature in Quarter 4 to cover the period of low receipts. The expected outturn on short term borrowing is £45 million.
41. Whilst there is now a degree of stability, the view remains that is that the UK economy still faces a challenging outlook as the Government continues to respond to the ongoing financial pressures associated high inflation levels.

Implications

42. 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

43. 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.
44. 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

45. 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 (2021 edition) have been used in the preparation of this report.

Finance

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

Risk/Opportunities

47. There are clearly inherent risks in placing investments both in terms of the security of the capital invested and the level of return from the investment. The approved Treasury Management Strategy 2023/2024 identified the Council's investment priorities as (i) the security of the capital and (ii) the liquidity of its investments.
48. Compliance with the Treasury Management Strategy and associated Treasury Management Practices seeks to mitigate the risks inherent with the treasury management function. The consideration of Security, Liquidity and Yield, in that order, is critical when assessing potential treasury investments. The Strategy specifically states that the Authority'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.
49. The Council engages an external Treasury Management Adviser to provide appropriate and timely advice on the Council's treasury portfolio (and, in particular, to provide advice on counter-party creditworthiness and investment limits). This appointment is regarded as critical given the investment risks.

Climate Change

50. There are no direct environmental implications arising from the report.

Consultation Responses

51. Consultations have been undertaken with the Lead Cabinet Member for Resources and the Council's treasury management adviser.

Alignment with Council Priority Areas

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

Background Papers

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

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

The following documents are relevant to this report:

- Medium Term Financial Strategy – Report to Cabinet: 7 November 2023
- General Fund Budget – Report to Cabinet: 6 February 2023
- General Fund Budget – Report to Council: 21 February 2023
- Treasury Management Strategy – Report to Cabinet: 6 February 2023
- Treasury Management Strategy – Report to Council: 21 February 2023
- Treasury Management Strategy – Report to Cabinet: 6 February 2024
- Treasury Management Strategy – Report to Council: 27 February 2024

Appendices

A Schedule of Investments as at 31 December 2023

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

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Appendix A

	Amount	Interest	Total	Term	Rate	Maturity Date
	£000	£000	£000	Days	%	
Counterparty						
LB of Barking & Dagenham	2,000	27	2,027	91	5.40	15 Jan 2024
SMBC International	1,000	20	1,020	129	5.67	22 Jan 2024
SMBC International	3,000	64	3,064	138	5.66	22 Jan 2024
SMBC International	1,000	16	1,016	104	5.46	22 Jan 2024
Liverpool City Council	2,000	22	2,022	73	5.40	22 Jan 2024
Goldman Sachs International Bank	2,000	60	2,060	189	5.80	19 Feb 2024
Lloyds Bank Commercial Markets	2,000	42	2,042	137	5.56	19 Feb 2024
Cheshire East	5,000	90	5,090	120	5.49	22 Feb 2024
Blackpool Council	2,000	29	2,029	97	5.45	22 Feb 2024
Close Brothers	5,000	320	5,320	731	3.20	12 Jul 2024
Total	25,000	690	25,690			

Appendix B

Treasury Management Adviser – Economics Update

1. Economics update

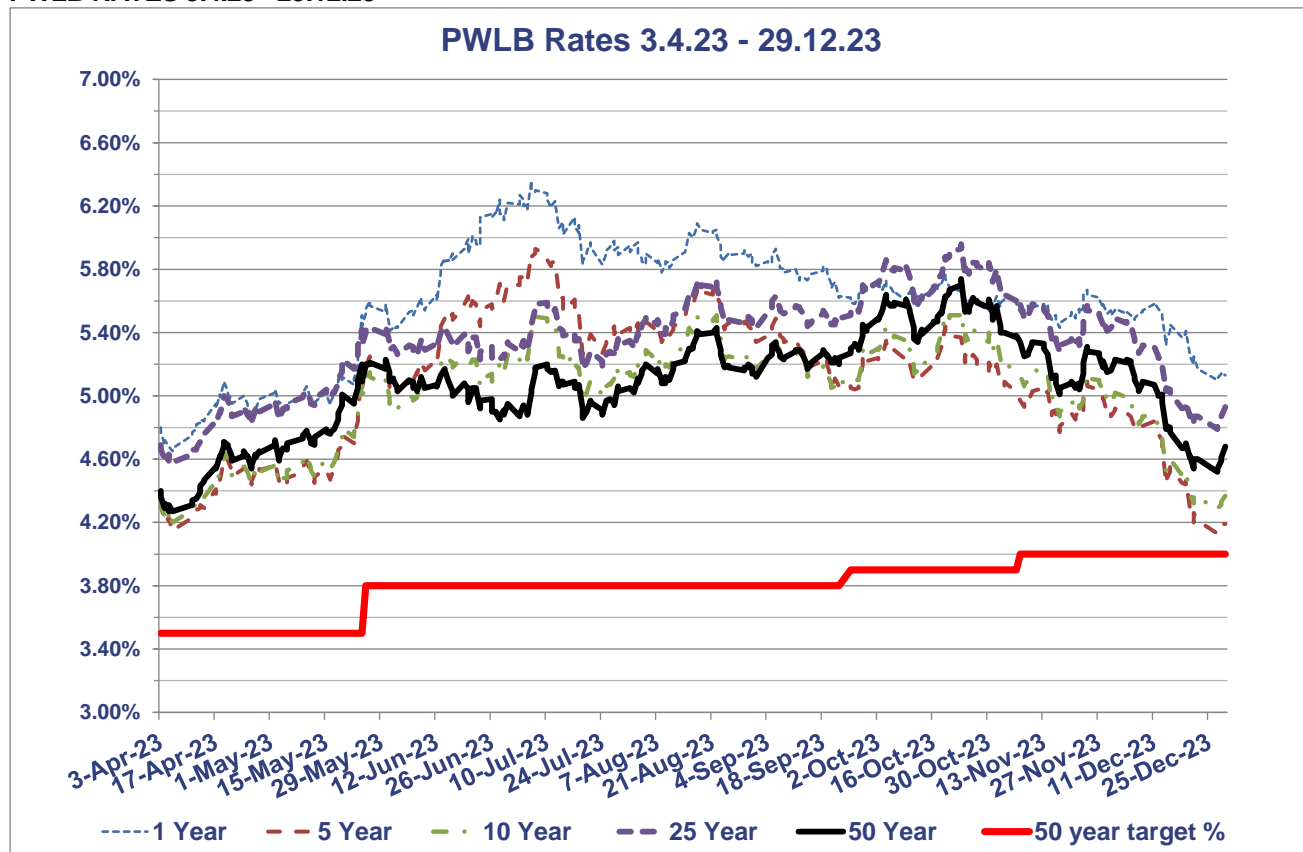
- The third quarter of 2023/24 saw:
 - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
 - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS “experimental” rate of unemployment has remained low at 4.2%;
 - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
 - Core CPI inflation decreasing from April and May’s 31 years’ high of 7.1% to 5.1% in November, the lowest rate since January 2022;
 - The Bank of England holding rates at 5.25% in November and December;
 - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with only marginal falls showing year on year on the Halifax (-1%) and Nationwide (-1.8%) indices. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6%

m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.

- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% at the time of writing, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from \$1.21 in November to \$1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23



MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England’s Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about “sticky” inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

2. 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.

Link Group Interest Rate View 07.11.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

Link Group Interest Rate View 25.09.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

Link Group Interest Rate View 26.06.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

Link Group Interest Rate View 24.05.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	4.75	5.00	5.00	4.75	4.50	4.00	3.50	3.25	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.80	5.00	5.00	4.80	4.50	4.00	3.50	3.30	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	5.10	5.20	5.10	4.90	4.50	3.90	3.40	3.20	2.90	2.60	2.60	2.60	2.60
12 month ave earnings	5.40	5.40	5.30	5.00	4.50	3.90	3.40	3.20	2.90	2.70	2.70	2.70	2.70
5 yr PWLB	5.00	5.00	5.00	4.80	4.50	4.10	3.70	3.50	3.30	3.20	3.20	3.10	3.10
10 yr PWLB	5.00	5.00	5.00	4.80	4.40	4.10	3.80	3.60	3.50	3.40	3.30	3.30	3.30
25 yr PWLB	5.30	5.30	5.20	5.10	4.80	4.50	4.20	4.00	3.80	3.70	3.60	3.60	3.60
50 yr PWLB	5.10	5.10	5.00	4.90	4.60	4.30	4.00	3.80	3.60	3.50	3.40	3.40	3.40

Link Group Interest Rate View 27.03.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10	3.10

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

- The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was previously updated on 7th November and reflected a view that the MPC would be keen to underpin its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are unequivocally supportive of such a move, and that there is a strong likelihood of the overall economy enduring tepid growth (at best) or a mild recession (at worst) over the coming months.
- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.
- On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing a little better at this stage of the economic cycle than may have been expected. Nonetheless, with approximately 400,000 households per quarter facing a mortgage interest reset at higher levels than their current rate, the economy will face on-going headwinds from that source, in addition to lower income households having to spend disproportionately on essentials such as food, energy and rent payments.

PWLB RATES

- As illustrated in the charts in section 1, gilt yields have endured a volatile nine months with yields rising significantly on the back of inflation concerns before retracing much of those increases in November and December. With the market now anticipating rate cuts by H2 2024, the short and medium parts of the curve are now close to where they started 2023/24, but the longer part of the curve is still a little higher. At the time of writing there is c50 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer

period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher.
- Projected **gilt issuance, inclusive of natural maturities and Quantitative Tightening (QT)**, could be too much for the markets to comfortably digest without higher yields compensating.

Agenda Item 9



South
Cambridgeshire
District Council

REPORT TO: Audit & Corporate Governance
Committee

19th March 2023

LEAD OFFICER: Monitoring Officer

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

Executive Summary

1. The purpose of this report is to seek the approval of Members of the Audit and Corporate Governance Committee on the current policy noting that there are no updates from when it was approved last year and to provide an update 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:
 - (a) **APPROVE** the Council's RIPA policy at Appendix A;
 - (b) **NOTE** the Council has not used surveillance powers between December 2023 – February 2024.

Reasons for Recommendations

4. The committee are to receive quarterly updates on the Council's use of RIPA powers and to review the RIPA policy on an annual basis.

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 2023.

The council's use of RIPA since December 2023

10. The information in the table below summarises the authorisations granted from December 2023 – February 2024.

	Directed surveillance	CHIS	Total
December 2023 – February 2024	0	0	0

Options

11. Members are required to review the policy on an annual basis and approve the policy with or without amendments.

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

None

Appendices

Appendix A: RIPA Policy

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APPENDIX A

South Cambridgeshire District Council

Regulation of Investigatory Powers Act 2000 Corporate Policy & Procedures

Statement of Intent: South Cambridgeshire District Council attaches a high value to the privacy of citizens. It will adhere to the letter and to the spirit of the Act and will comply with this policy.

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1 Introduction

1.1 The Regulation of Investigatory Powers Act 2000 (“RIPA”) is designed to ensure that public bodies respect the privacy of members of the public when carrying out investigations, and that privacy is only interfered with where the law permits and where there is a clear public interest justification.

1.2 The purpose of this policy is to explain the scope of RIPA and the circumstances where it applies to the Council. It provides guidance on the authorisation procedures to be followed in the event that surveillance is needed. This policy sets out the correct management of the process by the Council.

1.3 This policy also ensures that activities that should be subject to RIPA authorisation are recognised as such and that appropriate authorisation is sought. It also seeks to ensure that any activity which should be carefully monitored, but which is not subject to RIPA authorisation, is still given correct authority and scrutiny.

1.4 The Protection of Freedoms Act 2012 imposes restrictions on the circumstances in which the Council is permitted to use Directed Surveillance and this policy has been updated to take into account these new restrictions. Separate guidance has been issued by the Home Office which specifies the procedure for the consideration and approval of applications by Magistrates and this policy must be read in conjunction with that procedure and documents issued by the Office of the Surveillance Commissioner.

1.5 The Chief Executive is the Senior Responsible Officer for the RIPA process for the Council. The SRO is also responsible for:

- the integrity of the process in place within the public authority to authorise Directed Surveillance;
- compliance with Part II of the 2000 Act, and with this code;
- engagement with the Commissioners and inspectors when they conduct their inspections, and
- where necessary, overseeing the implementation of any post inspection action plans recommended or approved by a Commissioner.

1.6 All staff involved in the process must take their responsibilities seriously in order to assist with the integrity of the Council’s processes and procedures.

1.7 In preparing this policy the Council has followed the current RIPA Codes of Practice produced by the Home Office and the Office of Surveillance Commissioners (OSC) Procedures and Guidance 2016. The OSC is now the Investigatory Powers Commissioner's Office (IPCO). However, the document is still current.

1.8 In the case of any uncertainty, advice should be sought from an Authorising Officer, the Head of Legal Practice or the Monitoring Officer, who is the Council’s RIPA Monitoring Officer.

1.9 Copies of the Codes of Practice can be found on the Council’s RIPA Intranet page and at the following links:

<https://www.gov.uk/government/collections/ripa-codes>

1.10 Further guidance can also be obtained from the Investigatory Powers Commissioner's Office website:

<https://www.ipco.org.uk/>

2 Background

2.1 The Human Rights Act 1998 brought into UK law many of the provisions of the 1950 European Convention on Human Rights and Fundamental Freedoms. Article 8 requires the Council to have respect for people's private and family lives, their homes, and their correspondence. These subjects can be referred to as "Article 8 rights".

2.2 The Human Rights Act makes it unlawful for any local authority to act in a way which is incompatible with the European Convention on Human Rights. However these are not absolute rights and are qualified by the ability of the Council to interfere with a person's Article 8 rights if :-

- such interference is in accordance with the law
- is **necessary**; and
- is **proportionate**

2.3 "*In accordance with the law*" means that any such interference is undertaken in accordance with the mechanism set down by RIPA and the Home Office Covert Surveillance Codes of Practice. The Codes of Practice deal with the use of Covert Surveillance and the use of persons such as informants and undercover officers who gather information in a covert capacity, known as a **Covert Human Intelligence Source or "CHIS"**. Any covert activity must also meet the test of necessity and proportionality and these are dealt with later in this policy.

2.4 A considerable amount of observations are carried out in an overt capacity by Council employees carrying out their normal functions. These activities are general and routine and do not involve the systematic surveillance of an individual. RIPA is not designed to prevent these activities or regulate them.

2.5 RIPA also applies to the **Accessing of Communications Data** under Part 1, Chapter 2 of the legislation. The Council has produced separate guidance dealing with the accessing of communications data under the Single Point of Contact ("SPOC") provisions.

2.6 The Council has numerous statutory duties and powers to investigate the activities of private individuals and organisations within its jurisdiction for the benefit and protection of the greater public. Some of these investigations may require surveillance or the use of a CHIS. These may include:

- environmental health
- housing
- planning
- audit
- fraud

2.7 RIPA provides a framework to control and supervise covert activities such as surveillance and the use of a CHIS in these criminal investigations. It aims to balance the need to protect the privacy of individuals against the need to protect others by the Council in compliance with its enforcement functions. Covert Surveillance and CHIS are covered by separate Codes of Practice which can be found on the Council's Intranet RIPA page.

3 When RIPA applies

- 3.1 For Directed Surveillance, amendments to the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (“the 2010 Order”) mean that a local authority can only grant an authorisation under RIPA where the local authority is investigating criminal offences which attract a custodial sentence of a maximum term of at least 6 months’ imprisonment, or criminal offences relating to the underage sale of alcohol or tobacco under sections 146, 147 or 147A of the Licensing Act 2003 or section 7 of the Children and Young Persons Act 1933.
- 3.2 It should be noted that the provision relating to the prevention of disorder is no longer included for Directed Surveillance and there is no provision for a Local Authority to authorise an urgent oral authorisation as all applications and renewals must be approved by a Magistrate.
- 3.3 The lawful criteria for CHIS is **prevention and detection of crime and prevention of disorder** and the offence does not have to have a sentence of 6 months imprisonment.
- 3.4 The RIPA authorisation process can only be used for in connection with the Council’s core functions.
- 3.5 Using the RIPA application process helps protect the Council from legal challenges and provides the lawful authority for Officers to conduct Directed Surveillance and use CHIS South Cambridgeshire District Council and its staff have a responsibility to adhere to the legislation and the Human Rights Act. Any contract staff employed by South Cambridgeshire District Council to undertake such activity are also covered by the codes and this policy.
- 3.6 The RIPA Codes of Practice state where there is an interference by a public authority with the right to respect for private and family life guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority, the consequence of not obtaining an authorisation under the 2000 Act may be that the action is unlawful by virtue of section 6 of the Human Rights Act 1998.
- 3.7 Public authorities are therefore strongly recommended to seek an authorisation under RIPA where the surveillance is likely to interfere with a person’s Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the investigation or operation. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse.
- 3.8 In some instances, it is not possible to obtain RIPA authorisation for surveillance activities due to the limited grounds set in the legislation where authorisation can be granted. It may be, however, that covert surveillance is still necessary and proportionate. This is dealt with later in this Policy in section 6.

4 Surveillance Definitions

4.1 Surveillance

- 4.1.1 Surveillance is defined in paragraph 2.2 of the Codes of Practice as:

“Surveillance, for the purpose of the 2000 Act, includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be

conducted with or without the assistance of a surveillance device and includes the recording of any information obtained.”

4.2 Covert Surveillance

4.2.1 Covert Surveillance is defined in paragraph 2.3 of the Codes of Practice as:

“Surveillance is covert if, and only if, it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place.”

4.2.2 If activities are open and not hidden from the persons subject to surveillance such as Officers conducting Council business openly, e.g. a market inspector walking through markets, the RIPA framework does not apply because that is overt surveillance. Equally, if the subject is told that surveillance will be taking place, the surveillance is overt. This would happen, for example, where a noise maker is informed that noise will be recorded if it continues. RIPA does not regulate overt surveillance.

4.2.3 RIPA regulates only two types of Covert Surveillance which are:

- Directed Surveillance
- Intrusive Surveillance

4.3 Directed Surveillance

4.3.1 Surveillance is Directed Surveillance (paragraph 3.1 of the Codes of Practice) if the following are all true:

it is covert, but not intrusive surveillance;

it is conducted for the purposes of a specific investigation or operation;

it is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation);

it is conducted otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of the 2000 Act to be sought.

4.3.2 The planned covert surveillance of a specific person, where not intrusive, would constitute Directed Surveillance if such surveillance is likely to result in the obtaining of private information about that, or any other person.

4.3.3 Remember that the offence must be capable of having a 6 month maximum custodial sentence or relate to the sale of alcohol and tobacco to children.

4.3.4 It is important that all activity that may constitute surveillance is recognised as such and correctly authorised, either as Directed Surveillance or, in some instances, as surveillance outside of RIPA (see section 6) as governed by this policy. Anything involving the use of concealed cameras or anything involving keeping covert observation on premises or

people should be considered as potentially amounting to Directed Surveillance. In the case of uncertainty advice should be sought from the Head of Legal Practice or the Monitoring Officer.

4.4 Private information

4.5 Private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships.

4.6 Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration or analysis. Surveillance of publicly accessible areas of the internet should be treated in a similar way, recognising that there may be an expectation of privacy over information which is on the internet, particularly where accessing information on social media websites.

Example: Two people holding a conversation on the street or in a bus may have a reasonable expectation of privacy over the contents of that conversation, even though they are associating in public. The contents of such a conversation should therefore still be considered as private information. A directed surveillance authorisation would therefore be appropriate for a public authority to record or listen to the conversation as part of a specific investigation or operation

4.7 Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes surveillance, a Directed Surveillance authorisation may be considered appropriate.

Example: South Cambs Officers wish to drive past a café for the purposes of obtaining a photograph of the exterior. Reconnaissance of this nature is not likely to require a directed surveillance authorisation as no private information about any person is likely to be obtained or recorded. However, if the authority wished to conduct a similar exercise, for example to establish a pattern of occupancy of the premises by any person, the accumulation of information is likely to result in the obtaining of private information about that person and a directed surveillance authorisation should be considered.

4.8 Private information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.

Example: A surveillance officer intends to record a specific person providing their name and telephone number to a shop assistant, in order to confirm their identity, as part of a criminal investigation. Although the person has disclosed these details in a public place, there is nevertheless a reasonable expectation that the details are not being recorded separately for another purpose. A directed surveillance authorisation should therefore be sought.

5 Risks of not having a RIPA Authorisation

- 5.1 If Investigators undertake covert activity to which this legislation applies without the relevant authority being obtained and the case progressed to criminal proceedings the defence may challenge the validity of the way in which the evidence was obtained under Section 78 of the Police and Criminal Evidence Act 1984. Should the evidence then be disallowed by a court, the prosecution case may be lost with a financial cost to the Council.
- 5.2 The person who was the subject of surveillance may complain to an independent tribunal who may order the Council to pay compensation. The activity may also be challenged through the civil courts under the Human Rights Act 1998 for breach of privacy.
- 5.3 A properly obtained and implemented authorisation under RIPA will provide the Council with lawful authority to interfere with the rights of the individual. It is not simply enough that an authorisation for surveillance is obtained. It must be properly obtained, implemented, managed, reviewed and cancelled.

6 Surveillance Outside of RIPA

- 6.1 There may be a necessity for the Council to undertake surveillance which does not meet the criteria to use the RIPA legislation such as, in cases of serious disciplinary investigations. The Council must still meet its obligations under the Human Rights Act and therefore any surveillance outside of RIPA must still be necessary and proportionate, having taken account of the intrusion issues. The decision making process and the management of such surveillance will mirror that of RIPA-authorized surveillance, except that the activity will not require approval from a Magistrate.
- 6.2 An application will be made using the non RIPA application forms.
- 6.3 The Authorising Officer will be required to give the application the same degree of consideration and copies of all forms will be passed to the RIPA Monitoring Officer, who will keep a record of all activity separately from the records of RIPA-authorized surveillance

7 Immediate Response to Events

- 7.1 There may be occasions when officers come across events unfolding which were not pre-planned which then require them to carry out some form of observation. This will not amount to Directed Surveillance under RIPA. However, as the Council is no longer able to grant urgent oral authority to conduct surveillance, if it is carried out the officer must be prepared to explain their decisions in court should it be necessary. Therefore, they should document their decisions, why it was necessary, what took place and what evidence or information was obtained and why it was proportionate to the incident or offence under investigation.

8 Recording of Telephone Conversations

- 8.1 The recording of telephone conversations connected to criminal investigations outside of the Councils monitoring at work policy for its own equipment, falls under RIPA. Where one party to the communication consents to the interception, it may be authorised a Directed Surveillance.

- 8.2 There may be occasions where this is required such as a witness who has text or voicemail evidence on their mobile telephone and SCDC require to examine the phone.

9 Intrusive surveillance

- 9.1 South Cambridgeshire District Council has no authority in law to carry out Intrusive Surveillance or activity under the Police Act 1997.
- 9.2 Intrusive surveillance is defined in section 26(3) of the 2000 Act as covert surveillance that:

is carried out in relation to anything taking place on any residential premises or in any private vehicle; and

involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.
- 9.3 Where surveillance is carried out in relation to anything taking place on any residential premises or in any private vehicle by means of a device, without that device being present on the premises, or in the vehicle, it is not intrusive unless the device consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle. Thus, an observation post outside premises, which provides a limited view and no sound of what is happening inside the premises, would not be considered as intrusive surveillance.
- 9.4 A risk assessment of the capability of equipment being used for surveillance on residential premises and private vehicles should be carried out to ensure that it does not fall into Intrusive Surveillance.
- 9.5 Commercial premises and vehicles are excluded from the definition of intrusive surveillance. However, they are dealt with under the heading of Property Interference contained within the Police Act 1997. SCDC has no lawful authority to carry out any activity under this Act.

10 Covert Human Intelligence Source (CHIS)

10.1 Definition

10.1.1 A CHIS could be an informant or an undercover officer carrying out covert enquiries on behalf of the council. However, the provisions of the 2000 Act are not intended to apply in circumstances where members of the public volunteer information to the Council as part of their normal civic duties, or to contact numbers set up to receive information such as the Fraud Hotline. Members of the public acting in this way would not generally be regarded as sources.

10.1.2 Under section 26(8) of the 2000 Act a person is a source if:

- (a) he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);
- (b) he covertly uses such a relationship to obtain information or to provide access to any information to another person; or

- (c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.
- 10.1.3 By virtue of section 26(9)(b) of the 2000 Act a purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if, the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.
- 10.1.4 By virtue of section 26(9)(c) of the 2000 Act a relationship is used covertly, and information obtained as above is disclosed covertly, if and only if it is used or, as the case may be, disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.
- 10.1.5 Special provisions exist for the conduct in use of sources (Under 18).
- 10.1.6 A source under 16 cannot be engaged to use a relationship with any person having parental responsibility for them. A source under 16 must have an appropriate adult present during any meetings and a risk assessment must also take place before granting or renewing an authorisation for the conduct and use of a source under 16. This will take account of physical and psychological risks. See the Regulation of Investigatory Powers (Juveniles) Order 2000 for detailed guidance.
- 10.1.7 Only the Chief Executive can authorise the use of a juvenile CHIS (under 18 year of age).
- 10.1.8 Special consideration should also be given to the use of vulnerable individuals as a source. This will require the highest level of Authorising Officer, the Chief Executive (see the code of practice for further guidance).
- 10.1.9 The use by South Cambridgeshire District Council of a CHIS is expected to be extremely rare and if contemplated advice should be sought from the Head of Legal Practice or the Monitoring Officer.

10.2 Conduct and Use of a Source

- 10.2.1 South Cambridgeshire District Council will ensure that arrangements are in place for the proper oversight and management of sources including appointing a Handler and Controller for each source prior to a CHIS authorisation. The Handler and Controller of the source will usually be of a rank or position below that of the Authorising Officer.
- 10.2.2 The **use of a source** involves inducing, asking or assisting a person to engage in the conduct of a source or to obtain information by means of the conduct of such a source.
- 10.2.3 The **conduct** of a source is any conduct falling within section 29(4) of the 2000 Act, or which is incidental to anything falling within section 29(4) of the 2000 Act.
- 10.2.4 The **use of a source** is what the Authority does in connection with the source and the **conduct** is what a source does to fulfil whatever tasks are given to them or which is incidental to it. Both the use and conduct require separate consideration before authorisation. However, both are normally authorised on the same application.
- 10.2.5 When completing applications for the use of a CHIS this will include who the CHIS is, what they can do and for which purpose

10.2.6 When determining whether a CHIS authorisation is required consideration should be given to the covert relationship between the parties and the purposes mentioned in a, b, and c above.

10.2.7 Unlike Directed Surveillance, which relates specifically to private information, authorisations for the use or conduct of a CHIS do not relate specifically to private information, but to the covert manipulation of a relationship to gain any information. Accordingly, any manipulation of a relationship by a public authority (e.g. one party having a covert purpose on behalf of a public authority) is likely to engage Article 8, regardless of whether or not the public authority intends to acquire private information

10.3 Management of Sources

10.3.1 Within the provisions there has to be;

- (a) a person who has the day to day responsibility for dealing with the source and for the source's security and welfare (**Handler**)
- (b) at all times there will be another person who will have general oversight of the use made of the source (**Controller**)
- (c) at all times there will be a person who will have responsibility for maintaining a record of the use made of the source

10.3.2 The **Handler** will have day to day responsibility for:

- dealing with the source on behalf of the authority concerned;
- directing the day to day activities of the source;
- recording the information supplied by the source; and
- monitoring the source's security and welfare;

10.3.3 The **Controller** will be responsible for the general oversight of the use of the source.

10.4 Tasking

10.4.1 Tasking is the assignment given to the source by the Handler or Controller by, asking him to obtain information, to provide access to information or to otherwise act, incidentally, for the benefit of the relevant public authority. Authorisation for the use or conduct of a source is required prior to any tasking where such tasking requires the source to establish or maintain a personal or other relationship for a covert purpose.

10.4.2 In some instances, the tasking given to a person will not require the source to establish a personal or other relationship for a covert purpose. For example, a source may be tasked with finding out purely factual information about the layout of commercial premises. Alternatively, a Council Officer may be involved in the test purchase of items which have been labelled misleadingly or are unfit for consumption. In such cases, it is for the Council to determine where, and in what circumstances, such activity may require authorisation.

10.4.3 Should a CHIS authority be required, all of the staff involved in the process should make themselves fully aware of all of the aspects relating to tasking contained within the CHIS codes of Practice.

10.5 Security and Welfare

10.5.1 The Council has a responsibility for the safety and welfare of the source and for the consequences to others of any tasks given to the source. Before authorising the use or conduct of a source, the Authorising Officer should ensure that a risk assessment is carried out to determine the risk to the source of any tasking and the likely consequences should the role of the source become known. The ongoing security and welfare of the source, after the cancellation of the authorisation, should also be considered at the outset.

10.6 Records

10.6.1 Proper records must be kept of the authorisation and use of a source as required by the Regulation 3 of the Regulation of Investigatory Powers (Source Records) Regulations 2000 (SI no 2725) namely:

- a) the identity of the source;
- b) the identity, where known, used by the source;
- c) any relevant investigating authority other than the authority maintaining the records;
- d) the means by which the source is referred to within each relevant investigating authority;
- e) any other significant information connected with the security and welfare of the source;
- f) any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information in paragraph (e) has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source;
- g) the date when, and the circumstances in which, the source was recruited;
- h) the identities of the persons who, in relation to the source, are discharging or have discharged the functions mentioned in section 29(5)(a) to (c) of the 2000 Act or in any order made by the Secretary of State under section 29(2)(c);
- i) the periods during which those persons have discharged those responsibilities;
- j) the tasks given to the source and the demands made of him in relation to his activities as a source;
- k) all contacts or communications between the source and a person acting on behalf of any relevant investigating authority;
- l) the information obtained by each relevant investigating authority by the conduct or use of the source;
- m) any dissemination by that authority of information obtained in that way; and
- n) in the case of a source who is not an undercover operative, every payment, benefit or reward and every offer of a payment, benefit or reward that is made or provided by or on

behalf of any relevant investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority.

- 10.6.2 The records kept by public authorities should be maintained in such a way as to preserve the confidentiality, or prevent disclosure of the identity of the CHIS, and the information provided by that CHIS.

11 RIPA Application and Authorisation Process

11.1 *Application, Review, Renewal and Cancellation Forms*

- 11.1.1 No covert activity covered by RIPA should be undertaken at any time unless it has been authorised by an Authorised Officer and approved by a Magistrate.
- 11.1.2 All the relevant forms for authorisation through to cancellation must be in writing using the standard forms which are available on the Council's Intranet site, but officers must ensure that the circumstances of each case are accurately recorded on the application form (see Application Process).
- 11.1.3 If it is intended to undertake both Directed Surveillance and the use of a CHIS on the same surveillance subject the respective applications form and procedures should be followed and both activities should be considered separately on their own merits.
- 11.1.4 An application for an authorisation must include an assessment of the risk of any Collateral Intrusion or interference. The Authorising Officer will take this into account, particularly when considering the proportionality of the Directed Surveillance or the use of a CHIS.

11.2 *Applications*

- 11.2.1 All the relevant sections on an application form must be completed with sufficient information for the Authorising Officer and then the Magistrate to consider Necessity, Proportionality and the Collateral Intrusion issues. Risk assessments should take place prior to the completion of the application form. Each application should be completed on its own merits of the case. Cutting and pasting or using template entries should not take place as this would leave the process open to challenge.
- 11.2.2 All applications will be submitted to the Authorising Officer via the Line Manager of the appropriate enforcement team in order that they are aware of the activities being undertaken by the staff. The Line Manager will perform an initial quality check of the application. However, they should not be involved in the sanctioning of the authorisation. Completed application forms are to be initialled by Line Managers to show that the quality check has been completed.
- 11.2.3 Applications whether authorised or refused will be issued with a unique number by the Authorising Officer, taken from the next available number in the Central Record of Authorisations. To obtain this number contact the Legal Services.
- 11.2.4 The procedure for submitting applications to Magistrates for consideration is set out in the procedure issued by the Home Office for this purpose.

11.3 Duration of Applications

Directed Surveillance	3 Months
Renewal	3 Months
Covert Human Intelligence Source	12 Months
Renewal	12 Months
Juvenile Sources (Grant/Renewal)	4 Months

11.3.1 The three-month commencement date is the date approved by a Magistrate.

11.3.2 All Authorisations must be cancelled by completing a cancellation form. They must not be left to simply expire.

11.4 Reviews

11.4.1 Regular reviews of authorisations should be undertaken to assess the need for the surveillance to continue. The results of a review should be recorded on the central record of authorisations. Particular attention is drawn to the need to review authorisations frequently where the surveillance provides access to confidential information or involves Collateral Intrusion.

11.4.2 In each case, the Authorising Officer should determine how often a review should take place. This should be as frequently as is considered necessary and practicable and they will record when they are to take place on the application form. This decision will be based on the circumstances of each application. However, reviews will be conducted on a monthly or less basis to ensure that the activity is managed. It will be important for the Authorising Officer to be aware of when reviews are required following an authorisation to ensure that the applicants submit the review form on time.

11.4.3 Applicants should submit a review form by the review date set by the Authorising Officer. They should also use a review form for changes in circumstances to the original application so that the need to continue the activity can be reassessed. However, if the circumstances or the objectives have changed considerably, a new application form may be more appropriate which will need authorising and approval by a Magistrate. The applicant does not have to wait until the review date if it is being submitted for a change in circumstances.

11.4.4 Managers or Team Leaders of applicants should also make themselves aware of when the reviews are required to ensure that the relevant forms are completed on time.

11.5 Renewal

11.5.1 If at any time before an authorisation would cease to have effect, the Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given, they may renew it in writing for a further period of three months. Like applications, all renewals must also be approved by a Magistrate.

11.5.2 An application for renewal should not be made until shortly before the authorisation period is drawing to an end but the applicant must consider the need to allow sufficient time for consideration by the Authorising Officer and any potential delay in getting the matter

before a Magistrate for consideration. A renewal for three months takes effect on which the authorisation would have ceased.

- 11.5.3 Authorising Officers should examine the circumstances with regard to Necessity, Proportionality and the Collateral Intrusions issues before making a decision to renew the activity.
- 11.5.4 A CHIS application should not be renewed unless a thorough review has been carried out covering the use made of the source, the tasks given to them and information obtained.
- 11.5.5 The Authorising Officer must consider the results of the review when deciding whether to renew or not. The review and the consideration must be documented.

11.6 Cancellation

- 11.6.1 The cancellation form is to be submitted by the applicant or another investigator in their absence as soon as it is no longer necessary or proportionate to continue with the covert activity. The Authorising Officer who granted or last renewed the authorisation must cancel it if they are satisfied that the Directed Surveillance no longer meets the criteria upon which it was authorised. Where the Authorising Officer is no longer available, this duty will fall on the person who has taken over the role of Authorising Officer or the person who is acting as Authorising Officer
- 11.6.2 As soon as the decision is taken that Directed Surveillance should be discontinued, the applicant or other investigating officer involved in the investigation should inform the Authorising Officer. The Authorising Officer will formally instruct the investigating officer to cease the surveillance, noting the time and date of their decision. This will be required for the cancellation form. The date and time when such an instruction was given should also be recorded in the central record of authorisations.
- 11.6.3 It will also be necessary to detail the amount of time spent on the surveillance as this is required to be retained by Central Register.
- 11.6.4 The officer submitting the cancellation should complete in detail the relevant sections of the form and include the period of surveillance and detail any images etc. that were obtained. The Authorising Officer should then take this into account and issue instructions regarding the management and disposal of the images etc.
- 11.6.5 The cancellation process should also be used to evaluate whether the objectives have been achieved and whether the applicant carried out what they stated was necessary in the application form. This check will form part of the oversight function. Where issues are identified they will be brought to the attention of the line manager and the Senior Responsible Officer (SRO). This will assist with future audits and oversight.

11.7 Authorising Officers

- 11.7.1 Officers who are designated "Authorising Officers" may authorise written applications for the use of Directed Surveillance or the use of a CHIS.

- 11.7.2 Please refer to Appendix 1 for the list of Authorising Officers, to show name, departmental details, contact number and levels of Authority.
- 11.7.3 The Chief Executive Officer or in their absence the Chief Operating Officer will authorise cases where confidential information is likely to be gathered or in the case of a juvenile or vulnerable CHIS.
- 11.7.4 The Head of Legal Practice or the Monitoring Officer should be informed of any changes to the list of Authorising Officers and will amend the policy accordingly. The intranet will also be updated appropriately.

11.8 Urgent Oral Authorisations

- 11.8.1 The provision for urgent oral authorisations is no longer available to local authorities, All applications now have to be put before a Magistrate for consideration.

11.9 Local Sensitivities

- 11.9.1 Authorising Officers and Applicants should be aware of particular sensitivities in the local community where the Directed Surveillance is taking place, or of similar activities being undertaken by other public authorities which could impact on the deployment of surveillance. This should form part of the risk assessment.
- 11.9.2 It should be noted that although this is a requirement there is no provision made within the application form for this information. Therefore, applicants should cover this where they feel it is most appropriate such as, when detailing the investigation or proportionality, or within the separate risk assessment form. However, it must be brought to the attention of the Authorising Officer when deciding whether to authorise the activity.

11.10 Authorising Officers Responsibility

- 11.10.1 Authorising Officers should not be responsible for authorising investigations or operations in which they are directly involved, although it is recognised that this may sometimes be unavoidable. Where an Authorising Officer authorises such an investigation or operation, the Central Record of Authorisations should highlight this and it should be brought to the attention of a Commissioner or Inspector during their next inspection.
- 11.10.2 Authorising Officers must treat each case individually on its merits and satisfy themselves that the authorisation is **necessary**, the surveillance is **proportionate** to what it seeks to achieve, taking into account the **Collateral Intrusion** issues, and that the level of the surveillance is appropriate to achieve the objectives. If any equipment, such as covert cameras, video cameras are to be used the Authorising Officer should know the capability of the equipment before authorising its use. This will have an impact on Collateral Intrusion, necessity and proportionality. They should not rubber-stamp a request. It is important that they consider all the facts to justify their decision. They may be required to justify their actions in a court of law or some other tribunal.

- 11.10.3 Authorising Officers are responsible for determining when reviews of the activity are to take place.
- 11.10.4 Before authorising surveillance, the Authorising Officer should also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (Collateral Intrusion). Measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the lives of those not directly connected with the investigation or operation.
- 11.10.5 In the absence of the Head of Department, the application should be submitted to another Authorising Officer for authorisation.

11.11 Necessity and Proportionality

- 11.11.1 Obtaining a RIPA authorisation will only ensure that there is a justifiable interference with an individual's Article 8 rights if it is necessary and proportionate for these activities to take place. It must be necessary for the prevention and detection of crime with a 6 months sentence or relate to the sale of alcohol and tobacco to children. It must also be shown the reasons why the requested activity is necessary in the circumstances of that particular case. Can the same end result be achieved without the surveillance?
- 11.11.2 If the objectives could be achieved by methods other than covert surveillance, then those methods should be used unless it can be justified why they cannot be used.
- 11.11.3 Then, if the activities are **necessary**, the person granting the authorisation must believe that they are **proportionate** to what is sought to be achieved by carrying them out. This involves balancing the intrusiveness of the activity on the subject and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair. The interference with the person's right should be no greater than that which is required to meet the aim and objectives.
- 11.11.4 The onus is on the Authorising Officer to ensure that the surveillance meets the tests of **necessity and proportionality**.
- 11.11.5 The codes provide guidance relating to proportionality which should be considered by both applicants and Authorising Officers:
- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
 - explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
 - considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
 - evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

- 11.11.6 It is important that the staff involved in the surveillance and the Line Manager manage the enquiry and operation and evaluate the need for the activity to continue.

11.12 Collateral Intrusion

- 11.12.1 Collateral Intrusion is an integral part of the decision making process and should be assessed and considered very carefully by both applicants and Authorising Officers.
- 11.12.2 The Codes state that Collateral Intrusion is intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation such as neighbours or other members of the subject's family. Where it is proposed to conduct surveillance activity, specifically against individuals who are not suspected of direct or culpable involvement in the overall matter being investigated, interference with the privacy or property of such individuals should not be considered as Collateral Intrusion but rather as intended intrusion. Any such surveillance activity should be carefully considered against the necessity and proportionality criteria.
- 11.12.3 Intended intrusion could occur if it was necessary to follow a person not committing any offences but by following this person it would lead to the person who is committing the offences.
- 11.12.4 Where such Collateral Intrusion is unavoidable, the activities may still be authorised, provided this intrusion is considered proportionate to what is sought to be achieved. The same proportionality tests apply to the likelihood of Collateral Intrusion as to intrusion into the privacy of the intended subject of the surveillance.
- 11.12.5 Prior to and during any authorised RIPA activity, a risk assessment should take place to identify the likely intrusion into the subject and any Collateral Intrusion. Officers should take continuing precautions to minimise the intrusion where possible. The Collateral Intrusion, the reason why it is unavoidable, and the precautions taken to minimise it will have to be detailed on any relevant application forms. This will be considered by the Authorising Officer.
- 11.12.6 Before authorising surveillance, the Authorising Officer should take into account the risk of Collateral Intrusion detailed on the relevant application forms as it has a direct bearing on the decision regarding proportionality.
- 11.12.7 The possibility of Collateral Intrusion does not mean that the authorisation should not be granted, but the Authorising Officer must balance this with the importance of the activity to be carried out in operational terms.

11.13 Unexpected Interference with Third Parties

- 11.13.1 When carrying out covert Directed Surveillance or using a CHIS, the Authorising Officer should be informed if the investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or covered by the authorisation in some other way. It will be appropriate in some circumstances to submit a review form and in other cases the original authorisation may not be sufficient, and consideration should be given to whether a separate authorisation is required.

11.14 Confidential Information

- 11.14.1 Confidential information consists of matters subject to Legal Privilege, confidential personal information or confidential journalistic material. Where there is a likelihood of acquiring such information, it must be authorised by the Chief Executive, or in their absence by their deputy.
- 11.14.2 No authorisation should be given if there is any likelihood of obtaining legally privileged material without consulting the Head of Legal Practice or the Monitoring Officer.
- 11.14.3 Confidential personal information is information held in confidence relating to the physical or mental health or spiritual counselling concerning an individual (whether living or dead) who can be identified from it. Such information, which can include both oral and written communications, is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation. Examples might include consultations between a health professional and a patient, or information from a patient's medical records. Journalistic material is also mentioned in the codes, however, it is highly unlikely that this will be obtained. The definition should it be required can be obtained from the Codes of Practice at Chapter 4.
- 11.14.4 The following general principles apply to confidential material acquired under authorisations:
- Those handling material from such operations should be alert to anything which may fall within the definition of confidential material. Where there is doubt as to whether the material is confidential, advice should be sought from the Head of Legal Practice or the Monitoring Officer before further dissemination takes place;
 - Confidential material should not be retained or copied unless it is necessary for a specified purpose;
 - Confidential material should be disseminated only where an appropriate officer (having sought advice from the Head of Legal Practice or the Monitoring Officer) is satisfied that it is necessary for a specific purpose;
 - The retention or dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information;
 - Confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose.

11.15 Documentation and Central Record

- 11.15.1 Authorising Officers or Managers of relevant enforcement departments may keep whatever records they see fit to administer and manage the RIPA application process.

However, this will not replace the requirements under the Codes of Practice for the Council to hold a centrally held and retrievable record. The original application and relevant approval by the Magistrate will be forwarded to the Head of Legal Practice or the Monitoring Officer for filing and to complete the central register (see below).

11.15.2 A centrally retrievable record of all authorisations will be held by the Head of Legal Practice or the Monitoring Officer who requires the original application and Magistrates approval etc to be submitted to complete the central register. This will regularly be updated whenever an authorisation is refused, granted, renewed or cancelled. The record will be made available to the relevant Commissioner or an Inspector from the Investigatory Powers Commissioner's Office, upon request. These records should be retained for at least three years from the ending of the authorisation or for the period stipulated by the Council's document retention policy, whichever is greater, and should contain the following information:

- if refused, that the application was not authorised and a brief explanation of the reason why. The refused application should be retained as part of the Central Record of Authorisation;
- if granted, the type of authorisation and the date the authorisation was given;
- date approved by a magistrate;
- name and rank/grade of the Authorising Officer;
- the unique reference number (URN) of the investigation or operation;
- the title of the investigation or operation, including a brief description and names of subjects, if known;
- frequency and the result of each review of the authorisation;
- if the authorisation is renewed, when it was renewed and who authorised the renewal, including the name and rank/grade of the Authorising Officer;
- whether the investigation or operation is likely to result in obtaining confidential information as defined in this code of practice;
- the date the authorisation was cancelled;
- the date and time when any instruction was given by the Authorising Officer.

11.15.3 As well as the Central Record the Head of Legal Practice or the Monitoring Officer will also retain:

- the original of each application, review, renewal and cancellation together with any supplementary documentation of the approval given by the Authorising Officer;
- a record of the period over which the surveillance has taken place.

11.15.4 **For CHIS applications the Codes state;**

In addition, records or copies of the following, as appropriate, should be kept by the relevant authority:

- the original authorisation form together with any supplementary documentation and notification of the approval given by the Authorising Officer;
- the original renewal of an authorisation, together with the supporting documentation submitted when the renewal was requested;
- the reason why the person renewing an authorisation considered it necessary to do so;
- any authorisation which was granted or renewed orally (in an urgent case) and the reason why the case was considered urgent;
- any risk assessment made in relation to the source;
- the circumstances in which tasks were given to the source;
- the value of the source to the investigating authority;
- a record of the results of any reviews of the authorisation;
- the reasons, if any, for not renewing an authorisation;
- the reasons for cancelling an authorisation;
- the date and time when any instruction was given by the Authorising Officer to cease using a source.

11.15.5 The Head of Legal Practice or the Monitoring Officer will be responsible for maintaining the Central Record of Authorisations and will ensure that all records are held securely with no unauthorised access.

11.15.6 The only persons who will have access to these documents will be the Head of Legal Practice, the Monitoring Officer, the Senior Responsible Officer and Authorising Officers.

11.15.7 The records kept by public authorities should be maintained in such a way as to preserve the confidentiality of the source and the information provided by that source. There should, at all times, be a designated person within the relevant public authority who will have responsibility for maintaining a record of the use made of the source.

12 Use of CCTV

12.1.1 The use of the CCTV systems operated by the Council do not normally fall under the RIPA regulations. However, it does fall under the General Data Protection Regulations (GDPR) and the Councils CCTV policy. However, should there be a requirement for the CCTV cameras to be used for a specific purpose to conduct surveillance it is likely that the activity will fall under Directed Surveillance and therefore require an authorisation.

12.1.2 On the occasions when the CCTV cameras are to be used in a Directed Surveillance situation either by enforcement officers from relevant departments within the Council or

outside law enforcement agencies such as the Police, either the CCTV staff are to have a copy of the application form in a redacted format, or a copy of the authorisation page. If it is an urgent oral authority a copy of the applicant's notes are to be retained or at least some other document in writing which confirms the authorisation and exactly what has been authorised. It is important that the staff check the authority and only carry out what is authorised. A copy of the application or notes is also to be forwarded to the Information Management Team for filing. This will assist the Council to evaluate the authorisations and assist with oversight.

- 12.1.3 Operators of the Council's CCTV system need to be aware of the RIPA issues associated with using CCTV and that continued, prolonged systematic surveillance of an individual may require an authorisation.

13 Joint Agency Surveillance

- 13.1.1 In cases where one agency is acting on behalf of another, it is usually for the tasking agency to obtain or provide the authorisation. For example, where surveillance is carried out by Council employees on behalf of the Police, authorisation would be sought by the Police. If it is a joint operation involving both agencies, the lead agency should seek authorisation.
- 13.1.2 Council staff involved with joint agency surveillance are to ensure that all parties taking part are authorised on the authorisation page of the application to carry out the activity. When staff are operating on another organisation's authorisation they are to ensure they see what activity they are authorised to carry out and make a written record. They should also inform the Head of Legal Practice or the Monitoring Officer of the unique reference number, the agencies involved and the name of the officer in charge of the surveillance. This will assist with oversight of the use of Council staff carrying out these types of operations.

14 Activities Which May Constitute Surveillance or Require Authorisation Outside of RIPA

14.1 Definition

- 14.1.1 Some investigative activities may not be easily recognised as constituting surveillance which requires authorisation. Any action that is likely to reveal private information¹ may constitute surveillance if it includes:
- monitoring, observing, listening to persons, their movements, conversations, other activities or communications;
 - recording anything monitored, observed or listened to in the course of surveillance;
 - surveillance, by or with, assistance of a surveillance device

¹ Private information is defined in the RIPA Codes of Practice for Covert Surveillance as: "3.3 The 2000 Act states that private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships."

- 14.1.2 This policy requires RIPA authorisation to be sought in cases where an authorisation can be sought (as per Part 3 of the Policy). Where RIPA authorisation cannot be sought, for instance where an investigation is not into a criminal offence or the offence threshold in Part 3 is not met, the activity should still be authorised as per Part 6 of this policy.

14.2 Social Networks and the Internet

- 14.2.1 Online open source research is widely regarded as the collection, evaluation and analysis of material from online sources available to the public, whether by payment or otherwise to use as intelligence and evidence.
- 14.2.2 The use of online open source internet and social media research techniques has become a productive method of obtaining information to assist the council with its regulatory and enforcement functions. It can also assist with service delivery issues and debt recovery. However, the use of the internet and social media is constantly evolving and with it the risks associated with these types of enquiries, particularly regarding breaches of privacy under Article 8 Human Rights Act (HRA) and other operational risks. The activity may also require a RIPA authorisation for Directed Surveillance or CHIS. Where this is the case, the application process and the contents of this policy is to be followed.
- 14.2.3 Where the activity falls within the criteria of surveillance or CHIS outside of RIPA, again this will require authorising on a non RIPA form which will be authorised internally.
- 14.2.4 The Home Office Revised Code of Practice on Covert Surveillance and Property Interference, published in August 2018, provides the following guidance in relation to online covert activity and examples below that relevant to South Cambridgeshire District Council are given:

The growth of the internet, and the extent of the information that is now available online, presents new opportunities for public authorities to view or gather information which may assist them in preventing or detecting crime or carrying out other statutory functions, as well as in understanding and engaging with the public they serve. It is important that public authorities are able to make full and lawful use of this information for their statutory purposes. Much of it can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. But if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered. The following guidance is intended to assist public authorities in identifying when such authorisations may be appropriate.

The internet may be used for intelligence gathering and/or as a surveillance tool. Where online monitoring or investigation is conducted covertly for the purpose of a specific investigation or operation and is likely to result in the obtaining of private information about a person or group, an authorisation for directed surveillance should be considered, as set out elsewhere in this code. Where a person acting on behalf of a public authority is intending to engage with others online without disclosing his or her identity, a CHIS authorisation may be needed (paragraphs 4.10 to 4.16 of the Covert Human Intelligence

Sources code of practice provide detail on where a CHIS authorisation may be available for online activity).

In deciding whether online surveillance should be regarded as covert, consideration should be given to the likelihood of the subject(s) knowing that the surveillance is or may be taking place. Use of the internet itself may be considered as adopting a surveillance technique calculated to ensure that the subject is unaware of it, even if no further steps are taken to conceal the activity. Conversely, where a public authority has taken reasonable steps to inform the public or particular individuals that the surveillance is or may be taking place, the activity may be regarded as overt and a directed surveillance authorisation will not normally be available.

As set out below, depending on the nature of the online platform, there may be a reduced expectation of privacy where information relating to a person or group of people is made openly available within the public domain, however in some circumstances privacy implications still apply. This is because the intention when making such information available was not for it to be used for a covert purpose such as investigative activity. This is regardless of whether a user of a website or social media platform has sought to protect such information by restricting its access by activating privacy settings.

Where information about an individual is placed on a publicly accessible database, for example the telephone directory or Companies House, which is commonly used and known to be accessible to all, they are unlikely to have any reasonable expectation of privacy over the monitoring by public authorities of that information. Individuals who post information on social media networks and other websites whose purpose is to communicate messages to a wide audience are also less likely to hold a reasonable expectation of privacy in relation to that information.

Whether a public authority interferes with a person's private life includes a consideration of the nature of the public authority's activity in relation to that information. Simple reconnaissance of such sites (i.e. preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation of privacy and therefore is not likely to require a directed surveillance authorisation. But where a public authority is systematically collecting and recording information about a particular person or group, a directed surveillance authorisation should be considered. These considerations apply regardless of when the information was shared online.

Example: A South Cambs Officer undertakes a simple internet search on a name, address or telephone number to find out whether a person has an online presence. This is unlikely to need an authorisation. However, if having found an individual's social media profile or identity, it is decided to monitor it or extract information from it for retention in a record because it is relevant to an investigation or operation, authorisation should then be considered.

Example: A South Cambs officer makes an initial examination of an individual's online profile to establish whether they are of relevance to an investigation. This is unlikely to need

an authorisation. However, if during that visit it is intended to extract and record information to establish a profile including information such as identity, pattern of life, habits, intentions or associations, it may be advisable to have in place an authorisation even for that single visit.

Example: South Cambridgeshire District Council undertakes general monitoring of the internet in circumstances where it is not part of a specific, ongoing investigation or operation to identify themes, trends, possible indicators of criminality or other factors that may influence operational strategies. This activity does not require RIPA authorisation. However, when this activity leads to the discovery of previously unknown persons of interest, once it is decided to monitor those individuals as part of an ongoing operation or investigation, authorisation should be considered.

14.3 Visits and Observing Properties and Vehicles

- 14.3.1 Surveillance which is overt does not require authorisation. A visit to a property by an SCDC officer will not normally constitute surveillance if the intention is to speak to the occupier.
- 14.3.2 In some cases, repeated visits may be made to a property in connection with an investigation without the intention of speaking to the occupier, for example driving past the property to obtain details of vehicles or to look for signs of occupation. Such activity could become surveillance, as per 13.1 above and RIPA or non-RIPA authorisation should be sought if this is the case. This will be the case where the activity is intended to identify a pattern of behaviour, such as the movements of a vehicle at a particular location. A visit to obtain details of a vehicle is unlikely to constitute surveillance. Each case must be treated on its own merits.
- 14.3.3 If an officer plans to conduct a visit such as drive by visits (other than a routine visit to the occupier as per 13.3.1 above) detailed notes must be made explaining the purpose of the visit, why it is necessary and proportionate and why RIPA or non-RIPA authorisation has not been sought.

14.4 Aerial covert surveillance

- 14.4.1 Where surveillance using airborne crafts or devices, for example helicopters or unmanned aircraft (colloquially known as 'drones'), is planned, the same considerations outlined in this policy should be made to determine whether a surveillance authorisation is appropriate. In considering whether the surveillance should be regarded as covert, account should be taken of the reduced visibility of a craft or device at altitude. If these devices are used in a covert and pre-planned manner as part of a specific investigation or operation, for the surveillance of a specific person or group of people, a directed surveillance authorisation should be considered. Such covert surveillance is likely to result in the obtaining of private information about a person (namely, a record of their movements and activities) and therefore falls properly within the definition of directed surveillance.

15 Annual Report to Investigatory Powers Commissioner's Office

- 15.1 The Council is required to provide statistics to the Investigatory Powers Commissioner's Office (IPCO) every year in March for the purposes of Annual Report. The Head of Legal Practice or the Monitoring Officer shall be responsible for completing the return and providing the statistics.

16 Storage and Retention of Material

- 16.1 All material obtained and associated with an application will be subject to the provisions of the Criminal Procedures Investigations Act 1996 (CPIA) Codes of Practice which state that relevant material in an investigation has to be recorded and retained and later disclosed to the prosecuting solicitor in certain circumstances. It is also likely that the material obtained as a result of a RIPA application will be classed as personal data for the purposes of the GDPR. All officers involved within this process should make themselves aware of the provisions within this legislation and how it impacts on the whole RIPA process. Material obtained together with relevant associated paperwork should be held securely. Extra care needs to be taken if the application and material relates to a CHIS.
- 16.2 Material is required to be retained under CPIA should be retained until a decision is taken whether to institute proceedings against a person for an offence or if proceedings have been instituted, at least until the accused is acquitted or convicted or the prosecutor decides not to proceed with the case.
- 16.3 Where the accused is convicted, all material which may be relevant must be retained at least until the convicted person is released from custody, or six months from the date of conviction, in all other cases.
- 16.4 If the court imposes a custodial sentence and the convicted person is released from custody earlier than six months from the date of conviction, all material which may be relevant must be retained at least until six months from the date of conviction.

17 Training

- 17.1 There will be an ongoing training programme for Council Officers who will need to be aware of the impact and operating procedures with regards to this legislation. The Head of Legal Practice or the Monitoring Officer will be required to retain a list of all those officers who have received training and when the training was delivered, and it is for Departments to consider what their training needs are in this area.
- 17.2 Authorising Officers must have received formal RIPA training before being allowed to consider applications for Directed Surveillance and CHIS.

18 Oversight

18.1 Responsibilities

- 18.1.1 It is important that all staff involved in the RIPA application process take seriously their responsibilities. Overall oversight within the Council will fall within the responsibilities of the Senior Responsible Officer (SRO) for the Council. However careful management and adherence to this policy and procedures will assist with maintaining oversight and reduce unnecessary errors.

18.2 Reporting to Members

- 18.2.1 Quarterly returns of all surveillance activity undertaken by Council staff will be made to the Council's Audit and Corporate Governance Committee by the Senior Responsible Officer in line with the Constitution. The Audit and Corporate Governance Committee will review the policy annually and amend the policy where necessary.

18.3 Scrutiny and Tribunal

- 18.3.1 From 1 Sept 2017 oversight is provided by the Investigatory Powers Commissioner's Office (IPCO) which has been set up as an independent inspection regime to monitor Investigatory Powers which relate to covert activity currently under RIPA. They will periodically inspect the records and procedures of the Authority to ensure the appropriate authorisations have been given, reviewed, cancelled, and recorded properly.
- 18.3.2 It is the duty of any person who uses these powers to comply with any request made by a Commissioner to disclose or provide any information he requires for the purpose of enabling him to carry out his functions.
- 18.3.3 A tribunal has been established to consider and determine complaints made under RIPA if it is the appropriate forum. Persons aggrieved by conduct, e.g. Directed Surveillance, can make complaints. The forum hears application on a judicial review basis. Claims should be brought within one year unless it is just and equitable to extend that period.

Complaints can be addressed to the following address:

Investigatory Powers Tribunal
PO Box 33220
London
SW1H9ZQ

Tel 0207 035 3711

Appendix 1: LIST OF AUTHORISING OFFICERS AND AUTHORISING LEVELS

Geoff Clark
Rob Lewis

Service Manager - Tenancy and Estates
Principal Commercial Officer, Waste and Environment

Senior Responsible Officer:

Anne Ainsworth, Chief Operating Officer

RIPA Monitoring Officer:

John Murphy, Monitoring Officer