

**Public Document Pack  
SOUTHEND-ON-SEA BOROUGH COUNCIL**

**Audit Committee**

**Date: Wednesday, 12th January, 2022**

**Time: 6.30 pm**

**Place: Council Chamber - Civic Suite**

**Contact: Colin Gamble**

**Email: [committeesection@southend.gov.uk](mailto:committeesection@southend.gov.uk)**

**A G E N D A**

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Minutes of the Meeting held on Monday, 13 December 2021 (Pages 1 - 4)**
- 4 Treasury Management Policy for 2022/23 (Pages 5 - 38)**  
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- 5 Internal Audit Service Quarterly Performance Report (Pages 39 - 72)**  
Report of Deputy Chief Executive and Executive Director (Finance and Resources) attached
- 6 Counter Fraud & Investigation Team Quarterly Performance Report (Pages 73 - 90)**  
Report of Deputy Chief Executive and Executive Director (Finance and Resources) attached
- 7 Risk Management Update (Pages 91 - 94)**  
Report of Deputy Chief Executive and Executive Director (Finance and Resources) attached

**Chair & Members:**

Cllr M Dent (Chair), Cllr I Shead (Vice-Chair), Cllr H Boyd, Cllr A Dear, Cllr K Evans, Cllr N Folkard, Cllr S George, Cllr S Habermel, Cllr P Wexham and K Pandya

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# **SOUTHEND-ON-SEA BOROUGH COUNCIL**

## **Meeting of Audit Committee**

**Date: Monday, 13th December, 2021**

**Place: Council Chamber - Civic Suite**

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Present: Councillor M Dent (Chair)  
Councillors I Shead (Vice-Chair), H Boyd, T Cox\*, K Evans, N Folkard,  
S George, P Wexham and K Pandya (Co-opted Member)

\*Substitute in accordance with Council Procedure Rule 31.

In Attendance: P Thomas (Deloitte LLP), A Barnes, S Dutton, C Fozzard, S Tautz and  
C Thomas

Start/End Time: 6.30 pm - 8.15 pm

### **360 Apologies for Absence**

Apologies for absence were received from Councillor A Dear (Substitute: Councillor T Cox) and Councillor S Habermel (no substitute).

### **361 Declarations of Interest**

The following interests were declared at the meeting:

- (a) Councillor M Dent - Agenda Item 5 (External Audit Status Update: Latest Position and Timescale for Completion of 2020/21 Audit) - Appointed as the Council's representative on the Board of the Essex Pension Fund - Non-pecuniary interest.
- (b) Councillor P Wexham – All agenda items - Member of the Board of Directors of South Essex Homes - Non-pecuniary interests.
- (c) Councillor I Shead - Agenda Item 5 (External Audit Status Update: Latest Position and Timescale for Completion of 2020/21 Audit) - Member of the Essex Pension Fund - Non-pecuniary interest.
- (d) Councillor K Evans - Agenda Item 5 (External Audit Status Update: Latest Position and Timescale for Completion of 2020/21 Audit) - Member of the Essex Pension Fund - Non-pecuniary interest.

### **362 Minutes of the Meeting held on Wednesday, 22nd September 2021**

Resolved:

That the minutes of the meeting of the Committee held on 22 September 2021 be received, confirmed as a correct record and signed.

### **363 Internal Audit Service Head of Internal Audit Annual Report 2020/21**

The Committee received a report of the Executive Director (Finance and Resources) that set out the rationale for and an audit opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's risk management, control and governance processes for

the 2020/21 financial year, together with a statement on conformance with the UK Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme for 2020/21.

The Head of Internal Audit responded to a number of questions raised by members of the Committee and reported that the design and operation of the Council's risk management, control and governance framework for 2020/21 was considered to be satisfactory overall, and that there were no additional issues that should be included in the Annual Governance Statement for the year.

On consideration of the report, the Committee conveyed its thanks and appreciation to the Head of Internal Audit and his staff for their work to complete the plan of audit work for 2020/21.

Resolved:

- (1) That the annual report of the Head of Internal Audit for 2020/21 be noted.
- (2) That the opinion of the Head of Internal Audit be relied upon as a key source of evidence to support the Council's Annual Governance Statement for 2020/21.

**364 Deloitte External Audit Status Update: Latest Position and Timescales to Completion for 2020/21 Audit**

The Committee received an update from the Council's external auditors on the audit of the Statement of Accounts for 2020/21, including work on arrangements to secure value for money.

Members were advised that the audit of the Statement of Accounts was in progress, but that the external auditors were not currently in a position to report more substantively on the outcome of the audit work at the current time, as a result of factors impacting the completion of audit work nationally.

In noting the position on the Statements of Accounts, the Committee was advised that the Council's external auditors continued to receive the full cooperation and assistance of the Executive Director (Finance and Resources) and his staff in connection with the audit process.

Resolved:

That the current position with regard to the audit of the Council's Statement of Accounts for 2020/21, be noted.

**365 Counter Fraud & Investigation Team Annual Report 2020/21**

The Committee received a report of the Executive Director (Finance and Resources) that detailed the progress made by the Counter Fraud and Investigation Team in the delivery of the Council's Counter Fraud Strategy and work programmes for 2020/21 and to date during 2021/22.

The Counter Fraud and Investigations Manager outlined the progress made in the establishment and delivery of the counter fraud service for the Council and South Essex Homes, which had so far achieved significant improvements and outcomes and provided value for money for the resource committed by the Council. The Counter Fraud and Investigations Manager responded to a number of questions raised by members of the Committee.

Resolved:

- (1) That the performance of the Counter Fraud and Investigation Team for the 2020/21 financial year and since 1 April 2021, be noted.
- (2) That, if required to ensure the continued efficient and effective delivery of the Counter Fraud Strategy, the allocation of additional resources to support the work of the Counter Fraud and Investigation Team as part of the Council's budget for 2022/23 and future years, be supported.

### **366 Cyber Security**

The Committee received a report of the Executive Director (Transformation) that set out the Council's current position in respect of its cyber security arrangements, given its reliance on ICT to be able to function effectively, including the safeguards around remote working in response to the COVID-19 pandemic and security issues that had recently been encountered by other local authorities.

The Director of Digital and ICT reported that the Council was currently focussed on addressing and reducing cyber risk through appropriate counter and protective measures and ensuring that system architecture was secure by design, to support the current approach to cyber security. The Director of Digital and ICT responded to a number of questions raised by members of the Committee.

On consideration of the report, the Committee encouraged the Executive Director (Transformation) to ensure that the regular exercising of the Council's current business continuity arrangements was undertaken as a matter of priority.

Resolved:

That the action taken to enhance the security of the Council's ICT environment, the challenges currently being encountered and the work that is being undertaken to address these, be noted.

### **367 CIPFA Financial Management Code Action Plan Progress Report**

The Committee received a report of the Executive Director (Finance and Resources) that detailed progress against the action plan arising from the Council's self-assessment against the expectations of the new Financial Management Code introduced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Senior Finance Lead confirmed that the action plan would help to inform the assessment undertaken by the Council's external auditors on its arrangements to secure value for money and responded to a number of questions raised by members of the Committee.

Resolved:

- (1) That progress against the Financial Management Code action plan that previously reported to the Committee on 28 April 2021, be noted.
- (2) That it be noted that the next annual self-assessment of the Council's compliance status against the Financial Management Code will be undertaken and reported to the Committee in April 2022.

### **368 Internal Audit Charter, Strategy and Plan 2021/22**

The Committee received a report of the Executive Director (Finance and Resources) that presented the Internal Audit Charter, Strategy and Audit Plan for 2021/22.

The Head of Internal Audit responded to a number of questions raised by members of the Committee and confirmed that the reports of the ongoing investigation of issues around the delivery of transport services for Special Educational Needs and Disabilities (SEND) children and vulnerable adults would be considered by the Committee as soon as possible.

On consideration of the report, the Head of Internal Audit also undertook to request the Interim Executive Director (Transformation) and the Executive Director (Adults and Communities) to provide a written response to questions raised by members of the Committee with regard to the consideration of safeguarding measures in the enrolment of volunteers providing support to vulnerable residents, particularly in terms of the provision of information by the Disclosure and Barring Service.

Resolved:

That the Internal Audit Charter, Strategy and Audit Plan for 2021/22, be agreed.

### **369 Appointment of External Auditor**

The Committee received a report of the Executive Director (Finance and Resources) that set out arrangements for the appointment of external auditors following the closure of the Audit Commission and the end of the current appointment arrangements at the conclusion of the audit for 2022/23.

The Committee noted the options available for the local appointment of external auditors and was advised that the Council needed to consider the options available and put in place arrangements for the appointment of new external auditors by 31 December 2022, in readiness for the commencement of the audit for 2023/24.

Resolved:

That a recommendation be made to the Council that the authority 'opt-in' to the Local Government Association sector led body 'Public Sector Audit Appointments Ltd' for the independent appointment of the Council's external auditor, beginning with the audit for the financial year 2023/24.

### **370 Information Item**

The Committee noted the recent publication of the latest issue of the Audit Committee Update from the CIPFA Better Governance Forum, which aimed to support members of audit committees in their role.

Chair: \_\_\_\_\_

# Southend-on-Sea Borough Council

Agenda  
Item No.

4

**Report of Executive Director (Finance and Resources)**  
**to**  
**Audit Committee**  
**on**  
**12 January 2022**

Report prepared by: Caroline Fozzard  
Senior Finance Lead (Strategy, Sustainability and  
Governance)

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**Treasury Management Policy for 2022/23**

**Cabinet Member: Councillor Paul Collins**

**Part 1 (Public Agenda Item)**

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**1. Purpose of Report**

- 1.1 To submit the treasury management policy for 2022/23 to Audit Committee for scrutiny before approval by Council as part of the annual budget process.

**2. Recommendation**

- 2.1 **That Audit Committee scrutinises and offers comments on the treasury management policy which comprises the following three documents:**

- **Treasury Management Policy Statement for 2022/23;**
- **Treasury Management Strategy for 2022/23;**
- **Annual Treasury Management Investment Strategy for 2022/23.**

**3. Background**

- 3.1 The treasury management policy is agreed in advance of the year to which it relates. The policy is then monitored regularly and is updated, as appropriate, to reflect changing circumstances and guidance.
- 3.2 At its meeting of 13 January 2010 the Audit Committee agreed a report on the implementation of the revised CIPFA (Chartered Institute of Public Finance and Accountancy) Treasury Management Code of Practice. One of the recommendations of the code is that the treasury management policy should be

scrutinised in detail by a specialist committee, before being accepted by the authority.

- 3.3 At its meeting of 25 February 2010 Council amended the terms of reference of the Audit Committee to include scrutiny of the treasury management policy. From April 2010 onwards, the Audit Committee has been responsible for ensuring its effective scrutiny.
- 3.4 In compliance with the CIPFA Treasury Management Code of Practice the Council's treasury management policy comprises:
- the Treasury Management Policy Statement;
  - the Treasury Management Strategy;
  - the Annual Treasury Management Investment Strategy.
- 3.5 Since their approval by Council in February 2021, these documents for 2021/22 have been updated. The benchmark against which in-house investment performance is measured has been changed from 7-day LIBID to SONIA (Sterling Overnight Index Average) with effect from 1<sup>st</sup> January 2022.
- 3.6 The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation and management of risk. The proposed Treasury Management Policy Statement for 2022/23 is attached as **Appendix 1**.
- 3.7 The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring. The proposed Treasury Management Strategy for 2022/23 is attached as **Appendix 2**.
- 3.8 The purpose of the Annual Treasury Management Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties. The proposed Annual Treasury Management Investment Strategy for 2022/23 is attached as **Appendix 3**.
- 3.9 Appendices 1, 2 and 3 together form the treasury management policy and are used on a daily basis for the effective running of the treasury management function.
- 3.10 In response to the on-going economic, regulatory and financial market conditions, and in consultation with our treasury management advisers, the treasury management policy has been updated for the 2022/23 financial year. The changes from the 2021/22 policy are shown in **Appendix 4**.
- 3.11 The policy and strategy documents are written in order to provide officers and advisers with clear boundaries within which to work but as a result they are written using technical language. Treasury management training has been offered to all councillors to aid understanding of the issues and further training will be available in the future.



## **4. Corporate Implications**

### **4.1 Contribution to the Southend 2050 Road Map**

The Treasury Management Strategy sets out how the financing costs as part of the Medium Term Financial Plan may be achieved. The treasury management policy together with the prudential indicators, acknowledge how effective treasury management will provide support towards the achievement of the Council's ambition and desired outcomes.

### **4.2 Financial Implications**

The financial implications of the proposed capital investment programme will be considered in the forthcoming budget reports to Cabinet. Other financial implications are dealt with throughout this report.

### **4.3 Legal Implications**

Compliance with the relevant regulations and codes of practice has been considered throughout this report.

### **4.4 People Implications**

None

### **4.5 Property Implications**

None

### **4.6 Consultation**

The key treasury management decisions are taken in consultation with our treasury management advisers.

### **4.7 Equalities and Diversity Implications**

None

### **4.8 Risk Assessment**

The treasury management policy acknowledges that the successful identification, monitoring and management of risk are fundamental to the effectiveness of its activities.

### **4.9 Value for Money**

Treasury management activities include the pursuit of optimum performance consistent with effective control of the risks associated with those activities.

4.10 Community Safety Implications

None

4.11 Environmental Impact

None

**5. Background Papers**

5.1 None

**6. Appendices**

6.1 Appendix 1 – Treasury Management Policy Statement 2022/23

6.2 Appendix 2 – Treasury Management Strategy 2022/23

6.3 Appendix 3 – Annual Treasury Management Investment Strategy 2022/23

6.4 Appendix 4 – Changes from the revised 2021/22 Treasury Management Policy

## **SOUTHEND-ON-SEA BOROUGH COUNCIL**

### **TREASURY MANAGEMENT POLICY STATEMENT 2022/23**

#### **1 Background**

- 1.1 The purpose of this statement is to outline the Council's treasury management policy.
- 1.2 The CIPFA Code of Practice on Treasury Management recommends that Local Authorities:
  - Adopt the CIPFA code;
  - Create and maintain both a Treasury Management Policy Statement and suitable Treasury Management practices;
  - Appoint an officer to whom Treasury Management is delegated;
  - Submit reports regularly.
- 1.3 Cabinet approved adoption of the CIPFA code of Practice for Treasury Management at its meeting on 12 February 2002. CIPFA published a major revision to the Code of Practice for Treasury Management on 27 November 2009, the implementation of which was the subject of a report to Audit Committee submitted to its meeting of 13 January 2010. Since then there have been a number of more minor revisions, the latest being in December 2017. CIPFA published their 2021 edition of the Code of Practice for Treasury Management on 20<sup>th</sup> December 2021. Due to the late publication date, CIPFA has allowed Local Authorities to defer introducing the revised reporting requirements until the 2023/24 financial year. These include changes to the Treasury prudential indicators for Treasury Management. These strategy documents have been updated as far as time constraints would allow and they will be subject to further updates to fully comply with the Code by 31<sup>st</sup> March 2023.
- 1.4 There is a requirement in the revised code that the treasury management policy should be scrutinised in detail by a specialist committee, before being accepted by the authority, and should be monitored regularly.
- 1.5 The treasury management policy is agreed in advance of the year to which it relates. The policy is then monitored regularly and is updated, as appropriate, to reflect changing circumstances and guidance.
- 1.6 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management policy, before approval by full Council as part of the approval of the budget.

- 1.7 The Chief Finance Officer (Section 151 Officer under the Local Government Act 1972) is the person responsible for the treasury management function.
- 1.8 The revised code requires that, as a minimum, reporting should include an annual strategy in advance of the year, a mid-year review and an annual report after its close. The reporting and scrutiny of the strategy and policy are dealt with above. Reports on the activities of the treasury management function will be submitted to Cabinet quarterly. One such report will comprise an annual report for presentation before 31 July of the succeeding year. Another report will be a mid-year review reporting in November of each year.
- 1.9 In the forthcoming version of the CIPFA Code of Practice on Treasury Management the term “investments” covers all the financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns or primarily for the provision, and the purposes, of delivering public services (including housing, regeneration and local infrastructure). This may therefore include investments which are not managed as part of normal treasury management and are therefore covered by the Capital Investment Policy which forms part of the Capital Investment Strategy.
- 1.10 To reflect the forthcoming version of the CIPFA Code of Practice on Treasury Management the Council is required to maintain Investment Management Practices for investments which are not for treasury management purposes. This is in addition to the treasury management practices already in place.

## **2 Duration of the Policy Statement**

- 2.1 This Treasury Management Policy Statement covers the 2022/23 financial year.

## **3 Scope of the Treasury Management Function**

- 3.1 The Council defines its treasury management activities as:
- the management of the organisation’s borrowing, investments and cash flows, including its banking, money market and capital market transactions;
  - the effective control of the risks associated with those activities;
  - the pursuit of optimum performance consistent with those risks.
- 3.2 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

- 3.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 3.4 The Council acknowledges that responsibility for the effective management and control of risk lies with the authority.

#### **4 Use of a treasury management adviser**

- 4.1 The services of a treasury management adviser, Link Asset Services will be used throughout 2022/23 to assist the Council to develop and enhance the performance of the treasury management function.
- 4.2 The role of this adviser is to provide relevant and timely information and advice on all aspects of treasury management.
- 4.3 The Council recognises that responsibility for treasury management decisions remains with the authority at all times.

#### **5 Funding requirements for the capital investment programme**

- 5.1 The following methods of funding have been identified as being available to the Council for use in 2022/23:
- Borrowing;
  - Use of capital receipts - from the sale of surplus assets;
  - Use of Government Grants – e.g. Local Growth Fund, or grants from the Department for Education;
  - Other external contributions – e.g. Section 106 agreements;
  - Revenue funding – e.g. transferred from the Revenue Account.
- 5.2 No additional funding source will be used without the agreement of the Cabinet.

#### **6 Limits on external borrowings**

- 6.1 The Council must set an operational boundary and authorised limit for external debt. The operational boundary is how much external debt the Council plans to take up, and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows sufficient headroom to take account of unusual cash movements.
- 6.2 The table on the next page shows the operational boundary and authorised limits for borrowing for 2021/22 and 2022/23:

	<b>2021/22 Original £m</b>	<b>2022/23 Original £m</b>
Operational boundary	375	385
Authorised limit	385	395

In accordance with the Prudential Code these limits exclude outstanding debt relating to services transferred from Essex County Council (ECC) on 1 April 1998.

- 6.3 In March 2020 the Government started a consultation process on the reform of the PWLB lending terms. On 25th November 2020 the Chancellor announced the conclusion of this consultation. The lending terms now exclude the use of the PWLB for any Local Authority that includes the purchase of any capital asset primarily for yield in their three-year capital investment programme. Local Authorities that don't qualify for these lending terms are unable to access any PWLB borrowing until such time as they cease to have any capital asset primarily for yield in their three-year capital investment programme. The Council's capital investment programme will not include the purchase of any capital asset primarily for yield.
- 6.4 The operational boundary and authorised limits allow for some borrowing to take advantage of exceptionally low lending rates should the opportunity arise.

## **7 Policy on sources and types of long term borrowing**

- 7.1 The Council's long term borrowing (i.e. for more than one year) for 2022/23 will be via any type of loan from the Public Works Loan Board (which is a statutory body whose function is to lend money to local authorities and other prescribed bodies) or from banks, building societies or other financial institutions as appropriate.
- 7.2 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can issue bonds to raise funds, either in this council's name or collaboratively with other Local Authorities or via the Local Government Association (LGA), and either as a private or public placement.
- 7.3 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can borrow from other Local Authorities.
- 7.4 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can borrow for the purposes of financing regeneration and other infrastructure related projects.

- 7.5 The PWLB is usually the most economic source available to the Council for long term borrowing. The Council is eligible for HM Treasury's 'certainty rate' which is a discount of 0.2% on standard rates.
- 7.6 Financing arrangements other than borrowing will be in the form of leases. These will be taken out to finance the purchase or use of assets such as equipment or vehicles.

## **8 Timing of new borrowing**

- 8.1 New borrowing will be undertaken as and when required to finance capital. The Council's Section 151 Officer is authorised to make application for loans during 2022/23 that are deemed appropriate for the long term financing of capital. The amount and timing of these loans will have regard to the Council's cash flow, the PWLB interest rates and the future requirements of the capital investment programme.

## **9 Debt restructuring policy**

- 9.1 Some of the Council's borrowings are at a higher interest rate than the current rate of borrowing. To redeem these loans before their maturity date (i.e. to redeem them early) the Council would be required to pay a premium (this is like paying to redeem a mortgage early except the amount of the penalty depends on the prevailing rate of interest). New loans could then be taken out at the current rate. The savings to be made by paying interest at a lower rate need to be offset by the premiums payable before a decision is made as to whether this would be economically advantageous.
- 9.2 Similarly, some of the Council's borrowings can be at a lower interest rate than the current rate of borrowing. To redeem these loans early the Council would receive a discount (this is the opposite of a premium). New loans could then be taken out at the current rate. The discount receivable would need to be offset by the higher rate of interest paid before a decision is made as to whether this would be economically advantageous.
- 9.3 The Council will undertake debt restructuring as and when appropriate opportunities arise. The main objective of a restructure will be to produce reductions in financing costs as part of an overall budget strategy. The advice of our treasury management advisers would be sought. Members would be notified via the quarterly reporting to Cabinet on treasury management activities.

## **10 Treasury Management Investments**

- 10.1 See the Annual Treasury Management Investment Strategy.

**11 The approved activities of the Treasury Management operation are as follows:**

- Risk management;
- Cash flow management (daily balance and longer term forecasting);
- Investing surplus funds in approved investments;
- Use of brokers for placing investments;
- Investing surplus funds with external fund managers;
- Long term borrowing to fund the capital investment programme;
- Short term borrowing for cash flow purposes;
- Management of debt (including repayment and rescheduling);
- Capital receipts management;
- Leasing arrangements for the Council (including schools);
- Banking activities;
- Training for members and officers;
- Prevention of money laundering.

**12 Responsibility for the treasury management function**

- 12.1 Under the constitution the Council's Section 151 officer who is the Chief Finance Officer (currently the Executive Director (Finance and Resources)), must take all steps that are considered appropriate for the administration of the financial affairs of the Council. This includes responsibility for the treasury management function.
- 12.2 The table in Annex 1 shows the treasury management activities and the sub-delegated responsibilities from the Chief Finance Officer to others.
- 12.3 Officers are required to explicitly follow policies and procedures.
- 12.4 The training needs of staff and members with treasury management responsibilities are assessed on a regular basis and training is arranged as necessary.

**13 Risks**

- 13.1 The overriding principle is that it is more important to balance risks than to maximise returns.

**Credit and Counterparty risk**

- 13.2 This is the risk that the organisation with which we have invested money becomes insolvent and cannot pay us back our investment. A prime objective of treasury management activities is the security of the principal sums invested and this is placed ahead of the investment return. Accordingly, the Council will ensure that robust due diligence procedures cover all external investment.



- 13.3 Treasury Management investment activities are limited to the instruments, methods and techniques referred to in the Annual Treasury Management Investment Strategy. The use of limits and a combined matrix of investment criteria using credit ratings reflect a prudent attitude towards organisations with whom funds may be deposited. Investment activities will be limited to those who meet the criteria in this matrix when the investment is placed, with the exception of the UK part-nationalised bank and the Council's bank, and then limited by other relevant market information.
- 13.4 The policy in respect of those organisations from which the council may borrow, or with whom it may enter into other financing arrangements is set out in this Treasury Management Policy Statement and in the Annual Treasury Management Investment Strategy.

### **Liquidity risk**

- 13.5 This is the risk that there will be insufficient cash available to make payments as they fall due. The Chief Finance Officer will ensure that cash resources are adequate, though not excessive, and that borrowing arrangements are available at all times to enable the Council to achieve its business objectives.

### **Interest Rate risk**

- 13.6 Interest rates will be reviewed as part of the ongoing monitoring arrangements to ensure that, as far as possible, investments are made so as to maintain the return to the Council, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.
- 13.7 Regard will be given to the limits imposed by the treasury management policy, particularly the importance of maintaining the security of the monies invested.

### **Partnership risk**

- 13.8 The Council has entered into a Joint Venture with Porters Place Southend-on-Sea LLP and any funding will be mirrored by that of Swan Housing. The partnership risks are mitigated by the agreements drawn up as part of the signing of the contract. There are currently no major partnerships involving private borrowing, although it has been agreed that some of the Council's capital reserves would be used as equity in the proposed Seaway Leisure development. For certain projects, some of the Council's costs are met by 'match funding' where other organisations match the funding that the Council contributes. Where this is the case there may be liquidity risk (see 13.5) if the other organisations do not make their contributions when agreed. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes.

### **Market risk**

- 13.9 Our long term borrowing is mainly through fixed rate maturity loans, whilst our investments are at both fixed and variable rates. To mitigate the risk as far as possible the Council seeks to find the appropriate balance of investments between short and long term and between variable and fixed rate.

### **Refinancing risk**

- 13.10 Our borrowing arrangements are negotiated, structured and documented, and the maturity profile of these monies are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable as can reasonably be achieved in the light of market conditions prevailing at the time.

### **Currency risk**

- 13.11 The Council does not have any foreign currency risk as all investments are in pounds sterling.

### **Inflation risk**

- 13.12 The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

<b>Treasury Management Activity</b>	<b>Delegated to:</b>	<b>In their absence, delegated to:</b>
Production of a Treasury Policy each year for approval by the Council prior to the start of the financial year	Senior Finance Lead (Strategy, Sustainability and Governance)	Finance Manager – Capital/ Treasury Management
Staffing and organisation of the Treasury Management function	Senior Finance Lead (Strategy, Sustainability and Governance)	Chief Finance Officer
Ensuring that all staff engaged in Treasury Management receive appropriate training	Senior Finance Lead (Strategy, Sustainability and Governance)	Finance Manager – Capital/ Treasury Management
Ensuring that all members with Treasury Management responsibilities receive appropriate training	Chief Finance Officer	Senior Finance Lead (Strategy, Sustainability and Governance)
Advising the Council's Monitoring Officer when necessary	Chief Finance Officer	Deputy Section 151 Officer
Decisions on long term borrowing	Chief Finance Officer	Deputy Section 151 Officer
Decisions on the restructuring of the Council's debt	Chief Finance Officer	Deputy Section 151 Officer
Taking out new loans/repayment of loans with the PWLB	Senior Finance Lead (Strategy, Sustainability and Governance)	Chief Finance Officer/ Deputy Section 151 Officer
Maintaining adequate and effective cash flow forecasting records to support the decision to lend or borrow	Designated Accounting Technician/Finance Manager	Any other designated Accounting Technician/Finance Manager

<b>Treasury Management Activity</b>	<b>Delegated to:</b>	<b>In their absence, delegated to:</b>
Proposals on placing overnight monies with the Council's bank or in short/long term investments	Finance Manager – Capital/ Treasury Management	Designated Accounting Technician/ Finance Manager
Approval of short/long term investments	Chief Finance Officer	Deputy Section 151 Officer/ Senior Finance Lead (Strategy, Sustainability and Governance)
Placing money in investments once approval has been obtained	Finance Manager – Capital/ Treasury Management/ other designated Finance Business Partner/ Senior Finance Business Partner	Senior Finance Lead (Strategy, Sustainability and Governance)
Contact for correspondence with external fund managers	Finance Manager – Capital/ Treasury Management	Other designated Accounting Technician/Finance Business Partner
Decisions on placing with or recalling monies from external fund managers	Chief Finance Officer	Deputy Section 151 Officer
Entering into lease agreements	Chief Finance Officer	Deputy Section 151 Officer
Key contact with the Council's treasury management advisers	Senior Finance Lead (Strategy, Sustainability and Governance)	Finance Manager – Capital/ Treasury Management
Monitoring of actual against budget for debt charges, interest earnings and debt management expenses	Designated Accounting Technician/ Finance Manager	Any other designated Accounting Technician/Finance Manager
Monitoring of performance; average interest rates earned and paid etc.	Designated Accounting Technician/Finance Manager	Any other designated Accounting Technician/Finance Manager
Monthly report to Section 151 officer detailing performance and any non-compliance with the Treasury Management Policy	Finance Manager – Capital/ Treasury Management	Designated Accounting Technician/Finance Manager

**SOUTHEND-ON-SEA BOROUGH COUNCIL**  
**TREASURY MANAGEMENT STRATEGY 2022/23**

**1. Introduction**

- 1.1 The Treasury Management Strategy is written in compliance with the CIPFA Treasury Management Code of Practice requirement to review and report policy and strategy before the start of the year. This has been revised following publication of the revised Code of Practice.
- 1.2 The Treasury Management Strategy sets out how the financing costs may be achieved. It needs to be regularly monitored and modified in the light of changing external and internal circumstances.
- 1.3 The objective of the strategy is to optimise the income generated by surplus cash and minimise borrowing costs, consistent with a low level of risk, maintaining capital sums and maintaining liquidity.

**2. The Council's Budget**

- 2.1 The budget includes provision for the financing costs of the Council's Capital Investment Programme, including interest on external borrowings. Offsetting this, the Council will earn interest by temporarily investing its surplus cash, which includes unapplied and set-aside capital receipts. These budgets depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.
- 2.2 The Council can be both a lender and borrower at the same time as it seeks to invest short-term surpluses and fund longer-term capital investment. The timing of the taking of borrowing is important to secure the most advantageous interest rates.
- 2.3 The net budget for financing costs and interest earned on balances is £18.7m in 2022/23.

**3. The Council's Cash Surplus and Cash Flow**

- 3.1 It is projected that surplus cash balances will average £164m (of which £51m is the estimated sum of medium and long term funds managed by external fund managers) during 2022/23 based on information currently available and historical spending patterns.

#### **4. Interest Earnings (in-house investments)**

- 4.1 At the date of this report, the Bank of England base rate was 0.25%. Based on economic forecasts it is very difficult to predict the timing of any change in interest rates, however it has been assumed that during 2022/23 the bank base rate stays at that level throughout the year. The average interest earned by the Council on its in-house lending is likely to be 0.31% but this does depend on market conditions.
- 4.2 Sensitivity analysis shows that a difference of 0.5% in interest rates would make a difference of £819k in external interest earned and a difference of £1m in average balances would make a difference of £3k in interest earned in a full year. This risk is reflected in the annual review of the robustness of estimates for the Council Budget undertaken by the Chief Finance Officer.

#### **5. Long Term Borrowing**

- 5.1 There is no Central Government funding to support borrowing by the Council to fund capital projects. Under the Prudential Code the cost of any additional borrowing has to be financed by the Council.
- 5.2 The funding available to support capital investment is based on an assumption that the Council will not undertake any borrowing in 2022/23.
- 5.3 The Capital Financing Requirement (CFR) is the council's theoretical need to borrow but the Section 151 Officer can manage the council's actual borrowing position by either:
- 1 - borrowing to the CFR;
  - 2 - choosing to use temporary cash flow funds instead of borrowing (internal borrowing) or;
  - 3 - borrowing for future increases in the CFR (borrowing in advance of need).

The Council is likely to begin 2022/23 in the second of the above scenarios. However, as the 2022/23 financial year progresses a combination of scenarios 1, 2 and 3 will be considered, as appropriate.

- 5.4 This authority will only borrow in advance of need where there is a clear justification for doing so and will only do so for the current capital investment programme or to finance future debt maturities.
- 5.5 So far in 2021/22 four new PWLB maturity loans have been taken out:
- £10m at 1.67% p.a. for 50 years;
  - £10m at 1.61% p.a. for 49.5 years;
  - £10m at 1.52% p.a. for 49 years;
  - £10m at 1.68% p.a. for 48.5 years;

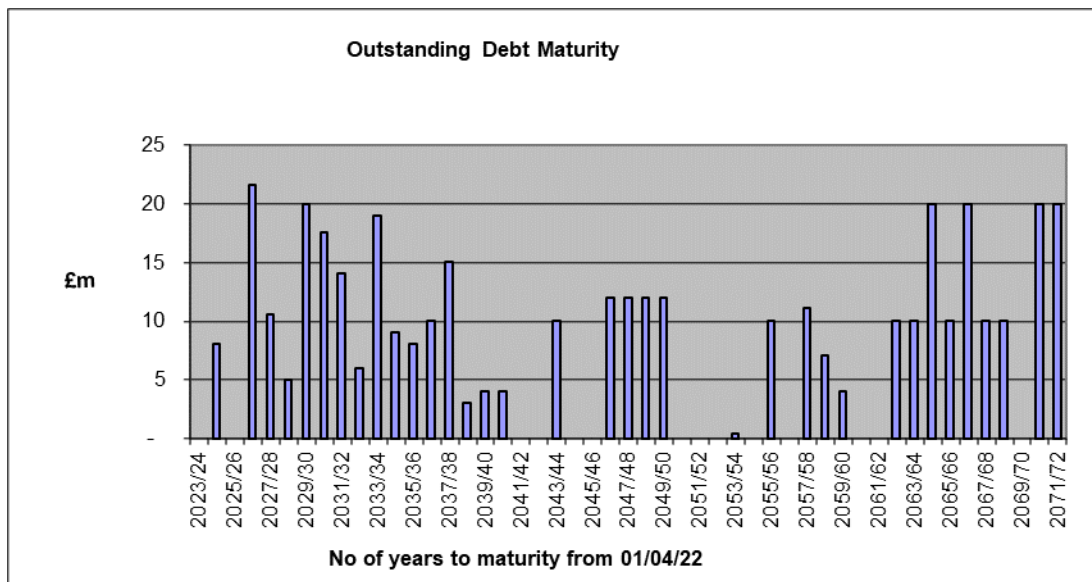
- 5.6 The Council's current outstanding PWLB loans for both General Fund and Housing Revenue Account, which will need to be repaid, are set out below:

<b>Southend-on-Sea Borough Council</b>		<b>Main Schemes (£m)</b>	<b>Invest to Save Schemes (£m)</b>	<b>Total (£m)</b>
Estimated opening position as at 31 March 2022	GF	273	0	273
	HRA	74	0	74
	<b>Total</b>	<b>347</b>		
Estimated new loans in 2022/23	GF	0	0	0
	HRA	0	0	0
	<b>Total</b>	<b>0</b>		
Repayments in 2022/23	GF	0	0	0
	HRA	0	0	0
	<b>Total</b>	<b>0</b>		
Estimated closing position as at 31 March 2023	GF	273	0	273
	HRA	74	0	74
	<b>Total</b>	<b>347</b>		

- 5.7 Outstanding debt relating to services transferred from Essex County Council (ECC) on 1 April 1998, remains under the management of ECC and is set out below. Southend Borough Council reimburses the debt costs incurred by the County.

<b>ECC transferred debt</b>	<b>Amount (£m)</b>
Opening position as at 31 March 2022	9.6
New loans in 2022/23	0
Repayments in 2022/23	(0.5)
Closing position as at 31 March 2023	9.1

- 5.8 The graph on the next page shows the repayment profile of the Council's PWLB borrowings if all new loans are included to reflect the funding of the proposed capital investment programme and the refinancing of debt.



It shows the gaps in the repayment profile and that there is no one year where the loan maturities are excessive.

The next maturity date of any PWLB debt redemption is March 2025 and is for a sum of £8m (General Fund: £5.8m, Housing Revenue Account (HRA): £2.2m).

- 5.9 The potential for the early redemption of high interest loans is reviewed periodically, however the interest savings from the repayment of these loans is usually offset by the premiums that must be paid on their redemption and it has not yet been advantageous for the Council to discharge these loans prematurely. This followed advice from our treasury management advisers which demonstrated the excessive cost to the Council of any debt restructuring. Further advice from our treasury management advisers will be sought at the appropriate time about the potential for restructuring of debt and the timing of such a restructure.
- 5.10 Long term borrowing will normally be taken from the Public Works Loan Board (PWLB) since this is usually the most economic source available to the Council. If other sources are thought to be more advantageous and are permitted under the relevant legislation they will be considered.
- 5.11 As at 14 December 2021 rates of borrowing (from the PWLB) were between 1.68% and 1.76% for loans between 20 and 30 years (these rates include the certainty rate discount of 0.2%). During 2022/23 the investment and borrowing interest rates will be kept under review and the further use of capital balances will be considered in lieu of new borrowing where this is advantageous.
- 5.12 Where it is considered appropriate to take out new borrowing, regard will be given to the existing repayment profile (see 5.8 above) and the need for a spread of maturity dates to ensure that a significant value of loans do not mature at the same time. Loans are taken out for a range of periods in order that the Council continues to balance its debt profile



over the longer term and so is not unduly exposed to the prevailing interest rates at the time of the possible debt replacement.

## **6. Monitoring and Review Arrangements**

6.1 During 2022/23, within 7 working days of each month end, the Section 151 Officer will receive a report detailing performance and any non-compliance with the treasury management policy. He will either approve the report or raise the necessary queries to satisfy himself in relation to:

- (i) all transactions being properly authorised
- (ii) all transactions being with approved counterparties
- (iii) all transactions being in accordance with the Council's approved policy
- (iv) monitoring of security and liquidity (i.e. spread of investments by long term credit rating, financial sector, country, maturity profile)
- (v) in-house investment performance against SONIA (Sterling Overnight Index Average)
- (vi) investment performance for external fund managers for the relevant period

6.2 In addition to the monthly reports:

- (i) monitoring reports will be included in the regular Performance Monitoring report
- (ii) any changes affecting the treasury management strategy will be reported to Audit Committee for scrutiny and Cabinet for recommending to Council for approval.

6.3 Benchmarking that considers security and liquidity will be achieved by appropriate comparisons with relevant statistical data.

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## SOUTHEND-ON-SEA BOROUGH COUNCIL

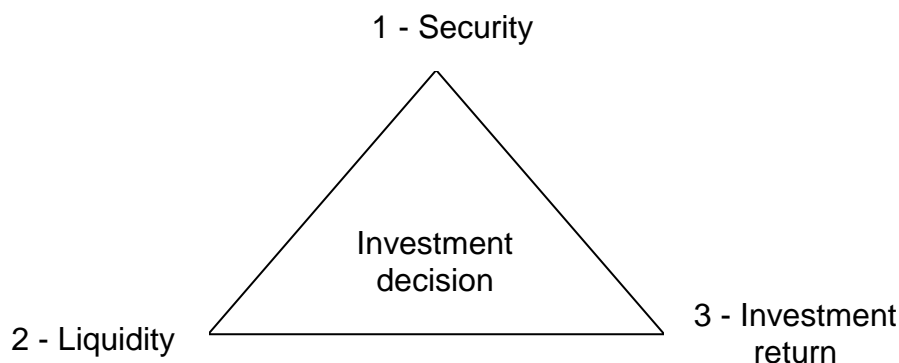
### ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2022/23

#### 1 Scope of this strategy

- 1.1 This investment strategy covers Treasury Management investments only. (Capital investments including service and commercial investments and loans are covered in the Capital Investment Policy which is Annex 1 to the Capital Investment Strategy.)

#### 2 Treasury Management Investment Objectives

- 2.1 To secure the principal sums invested
- 2.2 To maintain liquidity (i.e. adequate cash resources)
- 2.3 To optimise the income generated by surplus cash in a way that is consistent with a prudent level of risk
- 2.4 Security and liquidity are placed ahead of the investment return. This is shown in the diagram below:



- 2.5 Subject to the above objectives being satisfactorily met, consideration will be given to environmental, social and governance (ESG) factors for the funds and financial institutions being invested in. This is still an area that is relatively new but is becoming more main-stream with more funds and financial institutions reporting on their ESG policies. It should be noted that high relevance to ESG-related considerations does not necessarily correlate to high credit quality.

#### 3 Policy on use of external fund managers

- 3.1 The Council currently has monies placed with five external fund managers to use their knowledge and experience to invest on our behalf the medium

and long term funds that are, under normal circumstances, not required for day to day cash flow purposes. These funds are summarised below:

<b>Type of fund</b>	<b>Fund manager</b>	<b>Estimated average balance in 2022/23 (£m)</b>
Property Fund	Lothbury Investment Management Limited	13.9
Property Fund	Patrizia Property Investment Managers LLP	16.8
Short Dated Bond Fund	AXA Investment Managers UK Limited	7.7
Short Dated Bond Fund	Royal London Asset Management	7.8
Enhanced Cash Fund	Payden & Rygel Global Limited	5.1
<b>Total</b>		<b>51.3</b>

- 3.2 Withdrawals may be made during 2022/23 so that a proportion of the council's debt can be repaid or the monies invested as part of the in-house managed funds. Conversely, monies may be placed with the existing and/or a new fund manager during 2022/23 to take full advantage of the knowledge and experience of fund managers in making investment decisions. As to whether monies are deposited or withdrawn, the reason and timing of the decision will have regard to the council's cash flow, relevant interest rates and advice from our treasury management advisers.
- 3.3 In consultation with our treasury management advisers and if appropriate the Section 151 officer will appoint one or more new fund managers in 2022/23 to enable investment of monies.
- 3.4 During 2022/23, if appropriate, the Section 151 officer will approve the placing of monies in Property Funds and will approve the direct investment in property. Any resulting updates to the capital investment programme would be submitted to Cabinet for approval.
- 3.5 During 2022/23, if appropriate, the Section 151 officer will approve the placing of monies in Short Dated Bond Funds or Enhanced Cash Funds.

#### **4 Policy on investment of in-house managed funds**

- 4.1 The remaining funds will be managed in-house with the investment period and amounts being determined by the daily cash flow requirements of the Council. Cash flow forecasts will be produced in order to inform in-house investment decisions.
- 4.2 This authority has accepted the risk of placing funds with financial institutions, rather than solely with the UK government Debt Management Office. However, the risk is minimised by this Annual Treasury

Management Investment Strategy, which restricts the types of investment, the counterparties used and the limits for these counterparties.

- 4.3 Government guidance recommends that specified and non-specified investments are identified in the Investment Strategies of local authorities. Specified investments have relatively high security and liquidity, with high credit quality and a maturity of no more than a year. Non-specified investments are investments that do not fall into this category. The types of investment in this strategy and whether they are specified or non-specified are set out in Annex A.
- 4.4 During 2022/23 the Section 151 officer will, if appropriate, approve the placing of monies in deposit accounts, fixed term deposits or certificates of sterling cash deposits up to five years, subject to the proposed banks and building societies satisfying the investment criteria in a combined matrix of credit ratings, and having regard to other market information available at the time.
- 4.5 During 2022/23 the Section 151 officer will, if appropriate, approve the placing of monies in Money Market Funds, term repurchase arrangements, Treasury bills, with other Local Authorities or the Debt Management Office. The regulations regarding Money Market Funds have changed and all references to Money Market Funds now relate to Low Volatility Net Asset Value (NAV) funds, Constant NAV funds and Variable NAV funds.
- 4.6 During 2022/23 the Section 151 officer will, if appropriate, approve the investment of monies into Joint Ventures or Development Companies (either partly or wholly owned by the Council) focused on regeneration and other infrastructure related projects, subject to the necessary due diligence being satisfactorily completed and in consultation with our treasury management advisers. The provision of loan facilities to such organisations would count as capital investment and any resulting updates to the capital investment programme would be submitted to Cabinet for approval.
- 4.7 Where credit ratings are used to assess credit risk, they will be checked when an investment is taken out to ensure that investment satisfies the criteria in this Treasury Management Investment Strategy. Our treasury management advisers provide alerts when credit ratings are changed by the three main rating agencies. If the credit ratings of an institution or investment no longer satisfy the criteria the monies will be withdrawn as soon as possible. This would depend on the maturity date or notice period.
- 4.8 During 2022/23 the Section 151 officer will, if appropriate, approve the short term borrowing of monies from other Local Authorities or the PWLB in order to manage the cash flow and maintain liquidity.
- 4.9 Fixed term deposits may be made directly with the banks and building societies or through the use of a broker. Monies will be placed with other Local Authorities through the use of a broker. Investments in Certificates of Deposit and Treasury bills will be made through the use of a custodian account. The Council acknowledges that it retains responsibility for all investment decisions made whether they are made on its behalf or not.

- 4.10 When investing in-house managed funds, the following are considered; the type of investment, the individual counterparty, the amount that can be invested, the method of placement of monies. These are summarised in Annex A.
- 4.11 The services of our treasury management adviser, Link Asset Services will be used throughout 2022/23 to provide advice as well as credit rating and other market information regarding counterparties and types of investment. However, the Council recognises that responsibility for investment decisions remains with the authority at all times.

## **5 Investment Criteria for Funds Managed In-house**

- 5.1 All financial institutions considered for investment will be assessed for credit worthiness against a combined matrix of pre determined criteria using available credit ratings. Credit ratings are assessments by professional organisations of an entity's ability to punctually service and repay debt obligations. Credit ratings are used by investors as indications of the likelihood of getting their money back in accordance with the terms on which they invested.
- 5.2 The credit rating components used in the matrices comprise:
- Short term ratings;
  - Long term ratings.

Ratings provided by all three credit rating agencies will be consulted and a counterparty will be considered for investment if it meets the ratings criteria of at least one of the agencies.

- 5.3 The short term rating covers obligations which have an original maturity not exceeding one year. The short-term rating places greater emphasis on the liquidity necessary to meet financial commitments. All three credit rating agencies provide short term ratings. The ratings are expressed from F1+ (highest credit rating) through to D (highest default risk) for Fitch, from A-1+ (highest credit rating) through to D (highest default risk) for Standard and Poors, and from P-1 (highest credit rating) through to NP (highest default risk) for Moody's.
- 5.4 The long term ratings generally cover periods in excess of one year. Due to the larger time horizon over which the rating is determined, the emphasis shifts to the assessment of the ongoing stability of the institution's prospective financial condition. All three credit rating agencies provide long term ratings. The ratings are expressed from AAA (highest credit rating) through to D (highest default risk) for Fitch and Standard and Poors and from AAA (highest credit rating) through to C (highest default risk) for Moody's.
- 5.5 In order to balance the objective of securing the maximum level of return on investments with a prudent level of risk a matrix of criteria will be adopted as a starting point to determine the acceptability of a potential investment.

5.6 These matrices are set out below:

If the short and long term ratings meet the following criteria from a minimum of one of the ratings agencies:

**For Lending of up to 6 months to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	A-	A-	A3

**For Lending of up to 12 months to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	A	A	A2

**For Lending of up to 3 years to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	AA-	AA-	Aa3

**For Lending of up to 5 years to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1+	A-1+	P-1
Long term rating minimum	AA+	AA+	Aa1

5.7 An example of the use of this credit ratings matrix as at 4 January 2022 is shown below (the long and short term ratings are Fitch, then Standard and Poors, then Moodys).

Financial Institution	Long Term Rating	Short Term Rating	Maximum length of investment
The Bank of New York Mellon	AA AA- Aa1	F1+ A-1+ P-1	5 years
Royal Bank of Canada	AA- AA- Aa2	F1+ A-1+ P-1	3 years
Standard Chartered Bank	A+ A+ A1	F1 A-1 P-1	12 months

5.8 The Council's treasury management advisers, Link Asset Services, will continually review the appropriateness of our investment criteria and

continue to develop a best practise counterparty list. The latest advice has now been incorporated in this Strategy, which is set out below.

5.9 The individual ratings for some banks and building societies are low which means that they do not meet the criteria in our credit ratings matrix. However, this does not take account of part nationalised banks (currently The Royal Bank of Scotland Plc and National Westminster Bank Plc). These banks can be included in the counterparty list if they continue to be part nationalised or they meet the criteria of our credit ratings matrix in paragraph 5.6. An example of the institutions meeting the criteria for the UK will therefore include:

- Bank of Scotland Plc (RFB)
- Lloyds Bank Plc (RFB)
- The Royal Bank of Scotland Plc (RFB)
- National Westminster Bank Plc (RFB)
- Barclays Bank Plc (NRFB)
- HSBC Bank Plc (NRFB)
- Nationwide Building Society
- Santander UK Plc (RFB)

5.10 The largest UK banks were required, by UK law, to separate core retail banking services from their investment and international banking activities by 1<sup>st</sup> January 2019. This is known as “ring-fencing” and is a regulatory initiative created in response to the global financial crisis to improve the resilience and resolvability of banks. The initials RFB and NRFB in paragraph 5.9 refer to whether the bank is the Ring-fenced Bank or the Non Ring-fenced Bank. Each part of the bank has an individual credit rating and for any potential investment the counterparty would be considered against the criteria in this strategy in the normal way.

5.11 Counterparties that are manually added back to the list will have a maximum length of investment of two years. Amendments to the counterparty list can happen at any point in time.

5.12 In addition, for practical purposes the Council's bank will form part of the counterparty list, whether or not it meets the criteria in our credit ratings matrix.

5.13 Regard will be given to forward looking rating warnings from the three main credit rating agencies (i.e. rating watches and outlooks) provided by our treasury management advisers.

5.14 The current advice from the Department for Levelling Up, Housing & Communities and from CIPFA is not to rely solely on the credit rating agencies and the Council recognises that ratings should not be the sole determinant of the quality of an institution. So regard will also be given to market information such as the financial press, and officers will engage with their advisers to maintain a monitor on market pricing (such as share and ‘credit default swap’ prices) and other such information pertaining to the banking sector. Where available credit information, other than credit ratings has been used, this will be documented when the investment decision is made.



- 5.15 Consideration will also be given to Link Asset Services' rating methodology approach, where counterparties are put into bands of risk. These reflect the differences in credit quality of suggested duration and counterparties are assigned a risk number/colour.
- 5.16 The achievement of an appropriate balance between short-term and longer-term deposits will be driven by the credit quality of counterparties, the council's cash flow requirements, and the need to achieve optimum performance from our investments consistent with effective management of risk.

## 6 Investment Limits for Funds Managed In-house

- 6.1 The ratings agencies produce a credit rating for each country, called a sovereign rating. The ratings are expressed from AAA (highest) to D (lowest). The following limits have been set for an investment with a bank or building society whose parent company is registered in a country with a sovereign rating from Fitch and Standard and Poors (S&P) of AAA or AA+ or a sovereign rating from Moody's of Aaa or Aa1. Sovereign ratings provided by all three credit rating agencies will be consulted and the lowest rating will be taken.

<b>Country Sovereign Rating</b>	<b>Limit * All except UK (£ million)</b>
AAA/Aaa	20
AA+/Aa1	5
Lower than AA+/Aa1	0

\* These limits relate to the principal sums invested and do not include any accrued interest on that principal.

- 6.2 These limits will also apply to supranationals (international organisations whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping). An example of a supranational is the European Investment Bank.
- 6.3 Fitch has set the UK's sovereign rating at AA-, S&P have set it at AA and Moodys have set it at Aa3. Therefore, to ensure the continued use of UK institutions that fall within our investment criteria, the country sovereign rating limits exclude the UK. The limit will therefore remain at £20 million for all counterparties where the parent company is registered in the UK.
- 6.4 Where the parent company of a bank is not registered in a country with a sovereign rating from Fitch and S&P of AAA or AA+ or a sovereign rating from Moody's of Aaa or Aa1 but that bank's UK operations are ring-fenced to the UK (as is the case for Santander UK), if these banks are included in the counterparty list they will have a counterparty limit of £20 million.
- 6.5 £20 million is 12% of the authority's estimated amount of investments for 2022/23 of £164m. £5m is 3% of the total estimated investments. These are upper limits and would only be fully used in exceptional circumstances

as, under normal circumstances, diversification is sought to reduce counterparty risk. These limits are deemed appropriate by our Treasury Management advisers.

6.6 To minimise counterparty risk, the limit on any investment with a bank or building society (with the exception of the Council's bank which is currently Barclays Bank) will be determined in the following way:

- consider the country in which the parent company of the bank or building society is registered
- use the sovereign rating of that country to apply the limits above
- consider the cumulative balance of funds already held in various investment products with that bank or building society
- consider the cumulative balance of funds already held in various investment products for any related group of financial institutions
- determine the remaining amount that can be placed with that bank or building society

For example, the limit on an investment with Lloyds Bank Plc would be determined in the following way:

<b>Steps to determine limit:</b> <i>(for illustrative purposes only and not an indication of actual investments)</i>	<b>Remaining limit available at each stage:</b>
Lloyds Bank Plc is part of the Lloyds Banking Group which is registered in the UK	£20 million
£4 million already placed in an instant access account with Lloyds Bank Plc	£16 million
£5 million already placed in a fixed term deposit with Lloyds Bank Plc	£11 million
£6 million already placed in a notice account with Bank of Scotland Plc (part of the Lloyds Banking Group)	£5 million
Therefore the maximum investment would be £5 million	

6.7 The Council's bank is the exception to these investment limits however, and under normal circumstances our intention would be to comply with a counterparty limit of £30 million, to enable the efficient and effective management of the Council's cash flow.

6.8 The limit on deposits in Money Market Funds will be £20 million with any one AAAm/AAAf rated (or equivalent) liquidity fund. These work in the same way as a deposit account but the money in the overall fund is invested in a number of counterparties, therefore spreading the counterparty risk.

6.9 There are products being developed that are similar to, but not the same as Money Market Funds, such as 'term repurchase arrangements'. The risk associated with these funds is somewhere between a fixed term

deposit and a Money Market Fund. The Section 151 officer will approve the placing of monies in these types of fund up to a maximum of £20 million per fund, if deemed appropriate and in consultation with our treasury management advisers.

- 6.10 Given the prevailing financial market conditions, financial institutions will inevitably devise various investment products to offer enhanced returns. The Council's Section 151 Officer will consider these in consultation with our treasury management advisers and will approve the placing of monies in such investment products with appropriate limits, only after the options and their associated risks have been fully analysed by the treasury management team and our treasury management advisers.
- 6.11 To maximise flexibility, there is no limit on deposits with the UK Government (e.g. Debt Management Office, HM Treasury bills). These deposits will have a maximum duration of 6 months.
- 6.12 The limit on deposits with other Local Authorities will be £40 million which is 24% of the authority's estimated amount of investments for 2022/23 of £113m. These deposits will have a maximum duration of 5 years. This is an upper limit and would only be fully used in exceptional circumstances. The limit is higher than the limit for other counterparties such as banks and other financial institutions due to the lower counterparty risk associated with Local Authorities. These limits are deemed appropriate by our Treasury Management advisers.

## **7 Fund Managers investment criteria**

- 7.1 Investments undertaken by external fund managers on behalf of the Council can only be placed in certain types of investment as permitted under the Local Government Act. The types of investment, counterparties and limits used by each fund manager are set out in their Investment Management Agreement.
- 7.2 The Council's Section 151 Officer is authorised to amend these Investment Management Agreements as appropriate to reflect the needs of the Council, after fully considering the options and their associated risk and in consultation with the Council's treasury management advisers. Subject to the relevant due diligence being undertaken, the Investment Management Agreements could include investment in asset classes such as gilts, corporate bonds, property or equities, or investment in a multi asset fund.
- 7.3 The limit on deposits in Property Funds will be £25 million with any one fund that passes the selection process.
- 7.4 The limit on deposits in Short Dated Bond Funds will be £20 million with any one fund that passes the selection process.
- 7.5 The limit on deposits in Enhanced Cash Funds will be £20 million with any one fund that passes the selection process.

- 7.6 The performance and associated risk will be assessed on an on-going basis through half yearly strategy meetings with each fund manager and the Council's treasury management advisers. Any appropriate action would be identified and taken in consultation with those advisers.

## **8 Markets in Financial Instruments Directive (MiFID II)**

- 8.1 MiFID is the framework of European Union legislation for investment intermediaries that provide services to clients around financial instruments such as shares, bonds, units in collective investment schemes and derivatives and the organised trading in such financial instruments.
- 8.2 This was revised by MiFID II to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. It recognises that investors have different levels of knowledge, skill and expertise. The application of specific regulatory obligations under MiFID depends on a client's 'regulatory' category.
- 8.3 Local Authorities are categorised as retail clients by default but may 'opt up' to become elective professional clients if certain criteria are satisfied. This Council satisfies the criteria to become an elective professional client and has 'opted up' where appropriate to ensure that it can continue to be eligible to invest in the current range of counterparties and investment products, as some are not available to retail clients.
- 8.4 MiFID II does not cover simple term deposits as it is only focussed on regulated products. This includes our investments in Money Market Funds, enhanced cash funds, short dated bond funds and property funds. The Council is classed as an elective professional client for all its relevant counterparties except for certain Money Market Funds where the fund has confirmed there is no requirement to 'opt up' as the products can continue to be used as a retail client. The Council's designation under MIFID II will be regularly reviewed to ensure it remains appropriate.

Type of Treasury Management Investment	Individual Counterparty	Limit	Method of placement	Specified/non-specified
Deposit accounts	Bank or building society that meets the criteria of our combined matrix of credit ratings, or one of the part nationalised banks	Per bank or building society, based on country sovereign rating	Directly or through a broker	Specified (if 1 year or less), Non-specified (if more than 1 year)
Fixed term deposits			Directly or through a broker	
Certificates of sterling cash deposits			Custodian account	
Money Market Funds	AAA <sub>m</sub> /AAA <sub>f</sub> rated* (or equivalent) liquidity fund	Per fund	Directly or via an on-line site for managing money market funds	Specified
Property Funds	Via selection process	Per fund	Directly or through a broker	Non-specified (more than 1 year)
Short Dated Bond Funds	Via selection process	Per fund	Directly	Non-specified (more than 1 year)
Enhanced Cash Funds	Via selection process	Per fund	Directly	Non-specified (more than 1 year)
Term repurchase arrangements	AAA <sub>f</sub> /S1 rated <sup>#</sup>	Per fund	Directly	Specified (if 1 year or less), Non-specified (if more than 1 year)
Other Local Authorities	Depends on which Local Authorities want to borrow money at that time	For total invested with other Local Authorities	Through a broker	Specified (if 1 year or less), Non-specified (if more than 1 year)
Debt Management Office	UK Government	For total invested with UK Government	Directly	Specified
Treasury Bills			Custodian account	

\* A fund with a principal stability rating of 'AAA<sub>m</sub>/AAA<sub>f</sub>' (or equivalent) has an extremely strong capacity to maintain stability and to limit exposure to losses of the principal sums invested due to credit, market and/or liquidity risks.

<sup>#</sup> A fund with a credit quality rating of 'AAA<sub>f</sub>' has a portfolio holding that provides extremely strong protection against losses from credit defaults. A fund with a volatility rating of S1 possesses low sensitivity to changing market conditions.

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## SOUTHEND-ON-SEA BOROUGH COUNCIL

## CHANGES FROM THE 2021/22 TREASURY MANAGEMENT POLICY

Appendix	Paragraph	Change	Reason for the change
1	1.3	Sentence added regarding the recent updates to the CIPFA Code of Practice for Treasury Management.	To reflect the recently updated Code of Practice.
1	1.9	The wording regarding non-financial assets has been updated to reflect the wording in CIPFA's recently updated Code of Practice for Treasury Management.	To reflect the recently updated Code of Practice.
1	1.10	Paragraph added regarding Investment Management Practices for investments which are not for treasury management purposes.	To reflect the recently updated Code of Practice.
1	3.1	The definition of treasury management has been changed to explicitly include borrowing, in line with CIPFA's recently updated Code of Practice for Treasury Management.	To reflect the recently updated Code of Practice.
1	Annex 1	References to Group Manager (Financial Planning and Control) replaced with Senior Finance Lead (Strategy, Sustainability and Governance).	To reflect updated job title.
2	6.1	The benchmark against which in-house investment performance is measured has been changed from 7 day LIBID to SONIA (Sterling Overnight Index Average), which is the risk-free rate for sterling markets administered by the Bank of England.	Due to the discontinuation of the LIBID rate from 1/1/2022.

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# Southend-on-Sea Borough Council

Report of the Executive Director (Finance and  
Resources)

To

**Audit Committee**

On

**12 January 2022**

Report prepared by: Andrew Barnes, Head of Internal Audit

Agenda  
Item No.  
**5**

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## **Internal Audit Services, Quarterly Performance Report**

### ***A Part 1 Public Agenda Item***

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#### **1. Purpose of Report**

- 1.1 To update the Audit Committee on the progress made in delivering the Internal Audit Strategy for 2021/22.

#### **2. Recommendations**

- 2.1 **The Audit Committee notes the progress made in delivering the 2021/22 Internal Audit Strategy.**

#### **3. Internal Audit Plan Status**

- 3.1 **Appendix 1** sets out the current status of the audit work contained in the updated plan, as at 17 December.
- 3.2 **Appendices 2 and 3** set out the results of the work completed since the last progress report to the Audit Committee in January.
- 3.3 In addition to planned audit work, the team has also been assisting the organisation with the work being undertaken to deliver Future Ways of Working, providing challenge and advice to the teams working on delivering the outcomes required for the Council to change, as well as the Head of Internal Audit joint leading the 'Decision Making' workstream within that programme.
- 3.4 The team has also continued to provide support resource to assist with the Council's Track and Trace team in response to the Covid-19 pandemic, with the business support officer being seconded into that team.
- 3.5 In order to ensure that our work remains focussed on the areas of greatest risk to the Council, we continue to consider our Audit Plan for 2021/22 that was initially prepared for the Committee meeting that was due to take place in October 2021, but was deferred to December 2021. As noted in that report, the plan remains continuously under review, as will the utilisation of internal audit resources, in the context of the Council's ongoing response to the Covid-19 pandemic.

- 3.6 Since the last report to the Committee requests have been made by the Council and senior management to review and assist with work being undertaken in a number of areas, and therefore the audit plan has been further amended to reflect the following items that are noted as 'New' in Appendix 1:
- Smart Council Programme Assurance to assess the robustness of the arrangements to deliver the programme of works required to achieve the Council's target technology operating model
  - Transport joint venture contract management of core services to assess the performance of the Council's joint venture company (Vecteo), which has been responsible for delivering core transport services through Southend since 1 March 2020
  - Procurement of the transport joint venture partner for the Council's passenger transport service to assess the robustness of the procurement arrangements to secure the appropriate partner to deliver the required services.
- 3.7 In addition to the Advice and Support items detailed at Appendix 1, the team has been providing support on work and arrangements that the Council is undertaking in respect of:
- Reviewing and updating the Council's governance framework so that this can be optimised to support the delivery of the new corporate plan and meet the Council's objective of simple and effective governance
  - Addressing the findings arising from a DVLA audit of the Council's use of their services
  - Supporting the Procurement team with their work to secure increased compliance with procurement requirements and contract procedure rules
  - Reviewing a complaint in respect of the provision of a new children's residential care provision in the borough
  - Support and challenge to the service as they examined the Hay's agency recruitment process and compliance checks for new employees.

#### **4. Performance Targets and Resourcing**

- 4.1 As outlined in the Strategy presented to the December 2021 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.
- 4.2 As at 17 December 2021:
- For the period 1<sup>st</sup> April 2021 – 17<sup>th</sup> December 2021 the team had no sickness absence. This represents a significant improvement on the position compared to the previous period.

- 4.3 In terms of the 50 jobs now included in the audit plan:
- 27% of audits are complete with finalised reports issued
  - 9% of audits are complete with draft reports issued
  - 31% of audits are in progress
  - 9% of audits have terms of reference being agreed
  - 15% of audits are being planned
  - 9% of audits are resourced, but yet to be started.
- 4.4 No stakeholder surveys have been completed for 2021/22 because of the impact of Covid-19 and the redeployment of the Business Support Officer to assist with the Council's track and trace team, however it is planned that she will re-join the team at the end of January 2022 and then the stakeholder surveys will be recommenced.
- 4.5 Since the last report to the Audit Committee in December 2021 there have been no changes to the staffing of the team. The salaries of the vacant posts are being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan
- 4.6 In December 2021 the internal audit team engaged with the Learning and Development Team to facilitate a session to apply the team's analytical thinking into the current position of the internal audit team and the expected requirements of the internal audit service into the future, as this continues to evolve both at an industry level and at a local level. The results of this session will be used to develop an action plan for the team to assist with the development and delivery of the most appropriate team model, utilising the financial resources available.

## **5. Reasons for Recommendations**

- 5.1 Internal audit is an assurance function providing assurance to assist the Audit Committee to effectively discharge its responsibilities as per its Terms of Reference. The delivery of the internal audit plan will assist the Audit Committee with obtaining assurance that the Annual Governance Statement appropriately reflects the conditions at the Council.**

## **6. Corporate Implications**

- 6.1 Contribution to the Southend 2050 Road Map
- Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Southend 2050 outcomes.
- 6.2 Financial Implications
- The Audit Plan will be delivered within the approved budget.
- 6.3 Legal Implications
- The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery. This report contributes to discharging this duty.

#### 6.4 People Implications

People issues that are relevant to an audit within the Audit Plan will be considered as part of the review.

#### 6.5 Property implications

Property issues that are relevant to an audit within the Audit Plan will be considered as part of the review.

#### 6.6 Consultation

The audit risk assessment and the Audit Plan are periodically discussed with the Chief Executive, Deputy Chief Executives and Directors before being reported to the Audit Committee.

All terms of reference and draft reports are discussed with the relevant Managers, Directors or Deputy Chief Executive before being finalised.

#### 6.7 Equalities and Diversity Implications

The relevance of equality and diversity is considered during the initial planning stage of each audit before the Terms of Reference are agreed.

#### 6.8 Risk Assessment

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact of the Council's ability to deliver the Southend 2050 Ambition and outcomes.

The main risks the team continues to manage are the:

- potential loss of in-house staff and the ability of the service to replace this resource in a timely manner
- lack of management capacity to support and develop the team, while processing work in a timely manner and providing strategic leadership to the team and support to the Council
- possibility that the external supplier won't deliver contracted-in work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners while the service is being rebuilt.

#### 6.9 Value for Money

Opportunities to improve value for money in the delivery of services are identified during some reviews and recommendations made as appropriate.

Internal Audit also periodically considers whether it provides a value for money service.

#### 6.10 Community Safety Implications

These issues are only considered if relevant to a specific audit review.

#### 6.11 Environmental Impact

These issues are only considered if relevant to a specific audit review.

## **7. Background Papers**

- The Accounts and Audit Regulations 2015
- UK Public Sector Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

## **8. Appendices**

- Appendix 1      Internal Audit Plan 2021/22 progress status
- Appendix 2      Audit Assurance and Themes – High assurance
- Appendix 3      Audit Assurance and Themes – Other audits and Grant Claims

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## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
<b>Managing the Business</b> <b>(See also All Outcomes and Future Ways of Working in Advice and Support below)</b>			
F&R (AB)	<b>Risk Management</b> (Part of Decision Making workstream in Future Ways of Working)  To support the Council to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes.	No	Work in progress.
F&R (PB)	<b>Financial Impact of Covid-19</b> (Deferred from 2020/21 to reassess the risk focus required in light of the Council's short and medium term financial challenges).	No	<b>Audit has been refocussed and therefore removed from 2021/22 Audit Plan.</b>  <b>Refocusing of work now covered by the Financial Sustainability piece of work in 'Advice and Support All Outcomes and Future Ways of Working' below.</b>  <b>Work scheduled to commence February 2022.</b>
T (CT)	<b>New: Smart Council Programme Assurance</b>  To assess the robustness of the arrangements to deliver the programme of works required to achieve the Council's target technology operating model.	No	<b>Terms of reference being agreed.</b>  <b>Work scheduled to commence February 2022.</b>
<b>Implementing Action Plans</b>			
<i>None planned</i>			

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
<b>Managing Service Delivery Risks</b>			
<p align="center"><b>Pride and Joy</b></p> <p align="center">By 2050 Southenders are fiercely proud of and go out of their way to champion what our city has to offer.</p>			
N&E (JB)	<p><b>Highways Capitalised Maintenance Programme</b></p> <p>To assess the robustness of the council's end-to-end arrangements for managing and reporting on the delivery of the highways capitalised maintenance programme of works</p>	Yes	<b>Draft report being discussed with Service.</b>
N&E (AE)	<p><b>Green City Action Plan</b></p> <p>To assess the adequacy of arrangements to deliver on the Council's aim of becoming a Green City and achieving net zero emission by 2030.</p>	Yes	<b>Audit deferred while the newly appointed Head of Climate Change determines the way forward for the service.</b>
<b>Implementing Action Plans</b>			
N&E (AE)	<p><b>Energy Projects Status Assurance</b></p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service</p>	Yes	<b>Draft report being discussed with the service (linked to progress update detailed above re the Green City Action Plan).</b>
<p align="center"><b>Safe and Well</b></p> <p align="center">By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives</p>			
C&PH (BM)	<p><b>Alternative School Provision</b></p> <p>To assess the adequacy of arrangements which ensure the Council's guidance and / or policy for using Alternative Provision is being properly and appropriately applied to support achievement of the required outcomes for young vulnerable people.</p>	No	<b>Planning underway.</b>



## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
A&C (TF)	<b>Adult Social Care Recovery Programme</b> To assess the robustness of programme management arrangements aiming to improve outcomes for adults using the council's services whilst also containing the service within the allocated budget.	No	<b>Draft report being discussed with the service.</b>
A&C (SB)	<b>Disabled Facilities Grant</b> To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	<b>Work completed.</b> <b>With the Head of Internal Audit for sign off.</b>
C&PH (AK)	<b>Troubled Families</b> To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Quarter 1 completed June 2021 Quarter 2 completed September 2021 <b>Quarter 3 WIP</b>
A&C (BL)	<b>Sexual Health Service</b> To assess the robustness of arrangements to ensure that the needs and outcomes required from the commissioning of this service are being delivered.	Yes	<b>Resource secured Q4 January to March 2022.</b>
N&E (JB)	<b>New: Procurement of the joint venture partner for the Council's Passenger Transport Service</b> To assess the robustness of the procurement arrangements to secure a joint venture partner to deliver the Council's passenger transport service and the requirements for the Home to School Passenger Transport Provision for SEND and LAC element of the contract.	Yes	<b>Terms of reference being agreed.</b>

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
	<p><b>Covid-19 Adults Social Care Recovery (2020/21)</b></p> <p>To assess the robustness of measures to monitor and review the temporary changes to normal day-to-day processes / arrangements which aimed to ensure the care and support of vulnerable residents was prioritised (e.g. postponement of financial assessments for residents receiving care and relaxation in approval arrangements for changes to care packages) during the lockdown in response to the COVID-19 pandemic</p>		Completed December 2021.
T&AC (SP SB)	<p><b>Covid-19 Volunteering</b></p> <p>(Deferred from 2020/21 Audit Plan as scoping the work involved is complex with the number of service areas involved).</p> <p>To assess the robustness of arrangements which ensured sufficient safeguarding measures were considered when enrolling volunteers to provide essential support to vulnerable residents.</p>	Yes	Requirement for audit work being reassessed in light of the evolving Covid-19 circumstances.
F&R (PB)	<p><b>Local Authority Test and Trace Service Support Payment Scheme 2020/21 (No: 31/5075)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	No	Complete October 2021.
C&PH & F&R (KR/P B)	<p><b>Local Authority Community Testing Funding Grant 2020/21 (No: 31/5327)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	No	<p>Work completed.</p> <p>With Head of Internal Audit for sign off.</p>
NE (CR)	<p><b>Covid 19 Local Authority Enforcement and Compliance Grant (No: 31 /5216)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with</p>	Yes	Complete May 2021.

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
CS/PH (KR)	<b>Covid 19 Test and Trace Service Support Grant (No: 31/5385)</b> To certify that, in all significant respects, the conditions attached to the grant have been complied with.		Complete October 2021.
<b>Implementing Action Plans</b>			
A&C (SB)	<b>Adult Social Care Financial Assessments</b> To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.	Yes	Work in progress.
<b>Active and Involved</b> By 2050 we have a thriving, active and involved community that feel invested in our city			
N/A	No work planned	N/A	
<b>Implementing Action Plans</b>			
None planned			
<b>Opportunity and Prosperity</b> By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people			
G&H (GH)	<b>Management of the South Essex Homes Partnership Agreement</b> To assess the effectiveness of the arrangements for managing the delivery of services contained within the Partnership Agreement.	No	<b>Terms of reference being drawn up.</b> <b>Resource secured Q4 January to March 2022.</b>
CS&P H (BM)	<b>Barons Court Primary and Nursery School</b> To assess whether effective arrangements are in place to develop and implement a suitable strategic framework as well as organise, manage and control the activities of the school.	Yes	Completed December 2021.

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
G&H (GH)	<b>Housing Pipeline</b> Focus to be determined.	Yes	Resource Secured Q4 January to March 2022.
G&H (EC)	<b>Better Queensway Workstreams</b> To assess the robustness of plans and monitoring arrangements to deliver the Council's obligations under the Partnership Agreement for the Housing, Highways and Finance workstreams. <b>(Scope of the work extended to include the Finance workstream)</b>	Yes	<b>Terms of reference being discussed with the service.</b> <b>Work scheduled to start February 2022.</b>
<b>Implementing Action Plans</b>			
<i>None planned</i>			
<p style="text-align: center;"><b>Connected and Smart</b></p> <p style="text-align: center;"><b>By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure</b></p>			
N&E (AW)	<b>Transport Joint Venture Strategic Partnering Agreement</b> To assess the robustness of the arrangements to deliver the Joint Venture's strategic partnering objectives which are aiming to provide high quality transport services to the citizens of Southend from the Core Services transferred as well as the development and delivery of Non-Core Services.	Yes	<b>This review has been replaced with new audit above under Safe and Well focussed on the procurement of the joint venture partner.</b> <b>The original audit has been added to the Risk watch List for potential inclusion in the 2022/23 Audit Plan.</b>

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
N&E (AW)	<b>New: Transport Joint Venture - Contract Management of Core Services</b>  To assess the performance of the Council's Joint Venture Company (Vecteo), which has been responsible for delivering core transport services through Southend since 1 March 2020. The review will consider whether Vecteo is: <ul style="list-style-type: none"> <li>Delivering core transport service in accordance with both (i) the specification detailed in the Service Agreement and (ii) the commitments made in the tenderer's winning bid submission; and</li> <li>Reporting its actual performance results accurately, transparently and in a timely manner.</li> </ul>	Yes	Work in progress.
N&E (NH)	<b>Local Transport Capital Block Funding – Highways Maintenance Challenge Fund</b>	Yes	To certify that, in all significant respects, the conditions attached to the grants have been complied with.  All Completed September 2021.
N&E (NH)	<b>Local Transport Capital Block Funding – Pothole and Challenge Fund</b>	Yes	
N&E (NH)	<b>Local Transport Capital Block Funding – Integrated Transport and Highway Maintenance</b>	Yes	
NE (AW)	<b>Travel Demand Management Grant</b>  To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Work in progress.
N&E (AW)	<b>Additional Dedicated Home to School and College Transport Grant – Spring and Summer terms 2021</b>  To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Spring Term: work completed. Summer Term: work in progress.
<b>Implementing Action Plans</b>			
None planned			

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
<p style="text-align: center;"><b>Future Ways of Working (new 6<sup>th</sup> 2050 theme)</b></p> <p style="text-align: center;"><b>Framework for how we modernise our workforce in 2021/22 and beyond, to guide the prioritisation and delivery of Southend 2050 outcomes.</b></p>			
T (CT & CF)	<p><b>Business World Enterprise Resource Planning Programme of Work</b></p> <p>To assess the robustness of the governance arrangements to deliver the benefits required from the planned upgrade that aims to provide the Council with an ERP system that is fit for purpose and thus effectively underpins all service outcomes delivered by the Council.</p>	No	<p><b>Terms of reference being agreed with service area.</b></p> <p><b>Work scheduled to start February 2022.</b></p>
N/A	<p><b>See also Advice and Support below and Managing the Business above</b></p>	N/A	<p>Advice and Support</p> <ul style="list-style-type: none"> <li>Financial Sustainability</li> <li>Future Ways of Working Programme Management</li> <li>Better Queensway Highway Scheme</li> </ul> <p>Managing the Business</p> <ul style="list-style-type: none"> <li>Risk Management.</li> </ul>
<p style="text-align: center;"><b>All Outcomes</b></p>			
T (SP)	<p><b>Hayes Contract Management</b></p> <p>To assess whether there are robust arrangements in place to ensure that the contract is delivering the planned outcomes and / or benefits in compliance with the specified performance, quality standards and legislative requirements, at the correct cost.</p>	Yes	<p><b>Audit removed from 2021/22 Audit Plan.</b></p> <p><b>Audit work now focussing on arrangements for new employee compliance checks. See Hayes Agency Recruitment in Advice and Support below.</b></p> <p><b>Contract management audit added to the Risk Watch List.</b></p>
T (CT)	<p><b>Cyber Threat</b></p> <p>To assess the robustness of arrangements to quickly identify a cyber security incident and the reliability of the planned strategic responses to respond should an attack succeed.</p>	Yes	<p><b>Planning underway.</b></p> <p><b>Resource secured Q4 January to March 2022.</b></p>

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
F&R (LW)	<b>Critical Contracts Exit strategies</b> To assess the robustness of exit strategy arrangements for managing contract failures which aim to protect both the Council's financial interests and minimise the impact of service disruption to the citizens of Southend.	No	Resource secured Q4 January to March 2022.
<b>Implementing Action Plans</b>			
T (CT)	<b>ICT Disaster Recovery</b> To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.	No	Work in Progress.
<b>Key Financial Systems - All Outcomes</b>			
F&R (CR)	<b>Income Receipting and Banking</b> To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts.	Yes	Work in progress.
F&R (PB)	<b>General Ledger</b> To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts.	Yes	Work in progress.
<b>Implementing Action Plans</b>			
None planned			

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
Advice and Support			
All Outcomes and Future Ways of Working			
F&R (PB)	<b>Financial Sustainability (linked to Future Ways of Working and Getting to Know your Business initiatives)</b>  Provide ongoing support and challenge of the arrangements in place to deliver the Council's Budget Transformation Programme 2022/23 to 2025/26 which aims to ensure the Council remains financially sustainable and resilient for the future.	No	Planning underway. Focus to be determined after 2022/23 budget finalised.
CS &PH (MB)	<b>Liquid Logic / ContrOCC</b>  Provide support and challenge as new change request arrangements for these systems, that support the delivery of children and adult care services, are being considered.	Yes	Resource secured Q1 to Q4 ongoing April 2021 to March 2022.  <b>No work required as yet.</b>
A&C (TF)	<b>Reconciling Adult Social Care Finance Project</b> (Linked to the Adult Social Care Recovery Programme above)  To provide support and challenge as the team review and improve arrangements for reconciling finance and activity data between Liquid Logic (adult care) and financial information contained in the ContrOCC and Business World systems.  This will support understanding of how activity drives spend and improve forecasting and modelling to inform future budget setting.	Yes	<b>Initial feedback provided June 2021.</b>  <b>No further required work as yet.</b>
T (SMS)	<b>Future Ways of Working Programme (FWOW) Management</b>  To provide support and challenge to the Programme Manager for the realisation of the expected and/or required benefits to modernise the workforce which has been identified as key to delivering the Council's 2050 ambition.	No	Planning underway.  <b>Approach for the work being reviewed in light of the recent decision to refocus and streamline the current scope of FWOW workstreams and include the FWOW programme in the development of the Council's new Corporate Plan.</b>



## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
G&H (EC)	<b>Better Queensway Highway Scheme</b> To support and challenge the discussions and / or suggested improvements emanating from the opportunities to improve arrangements which support decision making contained in the Internal Audit Report issued in August 2021.	No	Discussions undertaken with the service area.
T (CT)	<b>Business World Enterprise Resource Planning Programme of Work (Corporate Establishment workstream)</b> To provide support and challenge to the project team as the risks and control environment for the planned Corporate Establishment cloud-based module is implemented.	Yes	<b>Audit deferred from the 2021/22 Audit Plan as technical complexities with the work has delayed working on the corporate establishment.</b>  <b>The audit has been added to the Risk watch List for potential inclusion in the 2022/23 Audit Plan.</b>
<p style="text-align: center;"><b>Pride and Joy</b></p> <p style="text-align: center;">By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer.</p>			
<b>No work planned</b>			

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
<p align="center"><b>Safe and Well</b></p> <p align="center">By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives</p>			
C&PH (JOL)	<p><b>Children's Quality Assurance Framework (QAF)</b></p> <p>To provide support and challenge to the Children's Services Steering Group responsible for monitoring the pilot and roll out of the more targeted and focused approach to case file audits. The aim being to improve overall social work practice by using learning to build on the good practice and support those areas where improvements would deliver better outcomes to young people and families.</p>	No	<p>Work in progress.</p> <p><b>Feedback provided October 2021 to Chair of Steering Group and colleagues in the Practice Unit after first round of case file audits completed. Further feedback session arranged for February 2022.</b></p> <p><b>In addition, feedback provided regarding the</b></p> <ul style="list-style-type: none"> <li><b>Audit tool to be used in the pilot</b></li> <li><b>Content of the July to September Quarterly Assurance report prepare for Children Services Departmental Management Team.</b></li> </ul>
A&C (SB)	<p><b>Adult Care Quality Assurance Framework (QAF)</b></p> <p>To provide challenge and support to the service area as the quality assurance framework is developed. The framework aims to ensure social work culture and practice is effective in safeguarding and promoting the welfare of adults, helping them achieve the best possible outcomes and life chances.</p>	No	<p>Work in progress. Feedback requested in respect of:</p> <ul style="list-style-type: none"> <li><b>draft Quality Assurance Framework</b></li> <li><b>implementation of Plan for the Framework</b></li> <li><b>draft auditing process.</b></li> </ul>
<p align="center"><b>Active and Involved</b></p> <p align="center">By 2050 we have a thriving, active and involved community that feel invested in our city</p>			
<b>No work planned</b>			

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
<b>Opportunity and Prosperity</b> By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people			
G&H (EC)	<b>Southend Adult Community College</b> To provide support and challenge to the newly formed Finance, Quality and Curriculum Governance group established to challenge and monitor the: <ul style="list-style-type: none"> <li>overall performance of the college; and</li> <li>programme of works to transition the college from an arms-length service to one that is fully integrated into the Council's operations.</li> </ul>	No	Work in progress.
G&H (EC)	<b>Better Queensway Housing Infrastructure Grant</b> (Work deferred from 2020/21 Audit Plan as the timing of the initial drawdown of grant was being amended). To provide advice and support as arrangements are developed which ensure Homes for England Housing Infrastructure Grant terms and conditions are properly met.	Yes	Work deferred while grant conditions are finalised with Homes England. Potential late Q4 piece of work.
<b>Connected and Smart</b> By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure			
<b>No work planned</b>			
<b>All Themes</b>			
F&R (LW)	<b>Contract Management</b> To provide advice and support to the Corporate Procurement Team as improved guidance is developed and launched to support those staff managing contracts which are supporting the delivery of Council outcomes.	No	Signposting to key documentation for for Council Contracts to ensure consistency of contract management. <b>Completed October 2021.</b>

## Appendix 1: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity and focus for audit	Fraud risk	Status as at 17 December 2021
T (SP)	<b>Human Resources</b> To provide advice and support to the Human Resources team as they update and improve systems and processes.	No	<b>No work required as yet.</b> <b>Resource secured ongoing Q1 to Q4 April 2021 to March 2022.</b>
T (SP)	<b>Hayes Agency Recruitment – new employee compliance checks</b> To provide advice and support to the Contract Manager to both identify and improve the Council's quality assurance arrangements for ensuring the robustness of the compliance checks required for agency staff employed. <b>(Work now replacing Hayes Contract Management work detailed in All Outcomes above)</b>	Yes	<b>Work in progress.</b>

## Appendix 1: Internal Audit Plan 2021/22

### Managing Service Delivery

Delivering the internal audit service involves:

- audit planning and resourcing
- managing Audit Plan delivery, which includes overseeing contractor work
- keeping up to date with the council's changing risk profile to ensure the Audit Plan remains relevant
- reporting to senior management and the Audit Committee.

Audit Activities	Resource allocation
Managing the Business	4%
Managing Service Delivery Risks	35%
Schools	2%
Key Financial Systems	5%
Grant Claims	9%
Advice and Support	18%
Follow Ups	4%
Contingency	18%
Managing Delivery of the Audit Plan	5%
<b>Total</b>	<b>100%</b>
<b>Total Council Audit Plan Days</b>	<b>655</b>

The days required to revisit and retest action plans from previous reports are included under each heading.

The Total Council Audit Plan Days reflects the higher cost of buying in external contractors to cover internal vacancies.

## Appendix 1: Internal Audit Plan 2021/22

Analysis Over Executive Director Responsibilities		
All	Cross Cutting	6%
F&R	Finance & Resources	13%
L&D	Legal & Democratic Services	0%
T	Transformation	22%
G&H	Growth & Housing	18%
N&E	Neighbourhoods & Environment	16%
C&PH	Children & Public Health	13%
A&C	Adults & Communities	12%
	<b>Total</b>	<b>100%</b>

Analysis over the 6 Southend 2050 Themes		
1.	Pride & Joy	7%
2.	Active & Involved	0%
3.	Safe & Well	24%
4.	Opportunity & Prosperity	18%
5.	Connected & Smart	8%
6.	Future Ways of Working	10%
7.	All	33%
	<b>Total</b>	<b>100%</b>

## Appendix 1: Internal Audit Plan 2021/22

### Risk Watch List

**These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit**

N&E (JB)	Follow up of Transport Joint Venture (20/21 Audit Plan)
G&H (GH)	Rough Sleepers audit deferred from 20/21 Audit Plan
F&R (JC)	Asset Management – arrangements for letting and monitoring commercial leases for council property
G&H (EC)	LGA peer review 18 -25 year olds - implementation of action plan
F&R (CF)	Payments made using the Clearing House Automated Payment System (CHAPS)
G&H (GH)	Housing Allocations Policy (including Direct Lets)
F&R (CF)	Accounts Payable Batch Input Payment Files
F&R (CF)	Use of Procurement (P) cards
A&C (SB)	Mental Health Service Provision (review of current arrangements including Section 75 agreement with EPUT scoped by service – last quarter reporting 2020/21 to Audit Committee October 2021)
F&R (CF)	Accounts Payable key financial system
T (CJ)	Recruitment of Agency Workers
F&R (PG)	School Audits – assess the role of the schools Finance team to determine the assurance their function may give overall
A&C (BL)	Community Investment Board (Commissioning Board May 2021 & Cabinet report November 2020)
A&C (BL)	Direct Payment Support Service Contract Management

## Appendix 1: Internal Audit Plan 2021/22

C&PH	Victory Park Academy
C&PH (KR)	0-19 Service Health Visitors and / or School Nursing service
G&H (GH)	Empty Homes Strategy 2021 – 2026 (Cabinet Report January 2021)
CS&P H (KR)	Follow up of the Covid-19 Local Outbreak Control Plan - Governance Arrangements (20/21 Audit Plan)
<b>These are other potential audits that will be considered for inclusion in the 2022/23 Audit Plan</b>	
T (CT)	<b>Business World Enterprise Resource Planning Programme of Work (Corporate Establishment workstream)</b>
T(SP)	<b>Hayes Contract Management – focus likely to be focused on the arrangements for letting of new recruitment contract.</b>
NE (JB)	<b>Transport Joint Venture Strategic Partnering Agreement- (postponed from 2021/22 Audit Plan and replaced with Transport Joint Venture - Contract Management of Core Services (see above)</b>
NE (JB)	<b>Follow up of the Transport Joint Venture Company – Contract Management of Core Services audit (2020/21)</b>
NE (JB)	<b>Follow up of the Highways Capitalised Maintenance Programme of Works (2021/22)</b>
A&C / C&PH	Care Platform Programme of Works (upgrade Liquid Logic & ContRoC & Business World)
A&C	Adult Care Quality Assurance Audit Framework
All	Anti Poverty Strategy
N&E (EG)	Selective Licensing
F&R (LW)	Social Value - implementation of Strategy / Policy
F&R (PR)	Social Care debt collection as part of the new Corporate Debt Collection Team
C&PH (JOL)	Fostering Service Improvement plan



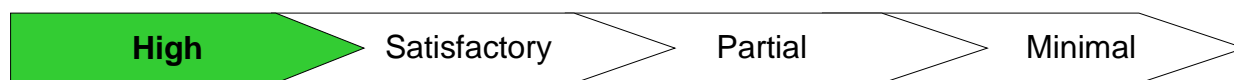
## Appendix 1: Internal Audit Plan 2021/22

C&PH (RB)	Quality of Supervision and / or 121s and annual conversation in Children's Services including how these maps into the Continued Professional Development offer (linked to Children's Services Improvement Plan)
N/A	Domestic Abuse Act 2021 Implementation Strategy (Cabinet report 14-9-21)
A&C	Southend Care Ltd Partnership Agreement 2022-2031 (Cabinet report 14-9-21)
A&C (TF)	Integrated Care System (April 2022)
C&PH (BM)	Remodelling of Children's Centres (in house service from 1st October 2021)
N&E( JB)	New Highway Enforcement Policies (Cabinet January 2021)
A&C (BL)	Adult Social Care Strategies 2022/27; Living Well, Ageing Well and Caring Well
All	Association of South Essex Local Authorities (ASELA)
G&H	Building Safety Bill (introduced into Parliament on 30 June 2021 expected passage to take 9 months)
A&C	Liquid Logic Adult Care Phase 2 – Introduction of Portals (Delegation Portal Financial Assessments Portal Providers Portal)
C&PH	Children Missing from Education
A&C	Better Care Fund Section 75 Agreement & Improved Better Care Fund (iBCF)

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## Appendix 2: Audit Opinion and Summaries

### Assurance



### Adults Covid-19 Social Care Recovery

#### Objective

To assess the robustness of measures to monitor and review the temporary changes to normal day-to-day processes / arrangements which aimed to ensure the care and support of vulnerable residents was prioritised (eg. postponement of financial assessments for residents receiving care and relaxation in approval arrangements for changes to care packages) during the lockdown in response to the Covid-19 pandemic.

#### Summary

The Covid-19 pandemic represents the biggest challenge to human health and wellbeing in recent times. It has had, and will continue to have, a fundamental impact on the day-to-day life of everyone in the UK, the world, national and local economy, national public policy, as well as the services, finances and governance of all local authorities.

The Council, working collaboratively with partners and the community, has overseen an unprecedented mobilisation of resources to address the crisis. This response has helped to significantly mitigate the impact, has saved lives of residents, alleviated a crisis in the NHS and Care sector and supported the most vulnerable in our community.

The Council has worked very closely with its health colleagues to ensure hospital capacity remained available by helping care providers prepare to receive those being discharged. Furthermore, support in understanding national guidance, managing workforce challenges, providing PPE, maintaining contact and communication channels and providing financial support to both domiciliary care providers and residential care homes for 3 months was also part of the Council's response.

In order to respond, the Council made changes to the way services were delivered, managed and monitored. The purpose of this audit was to review how several of these process changes were agreed, implemented, operated and where applicable, have transitioned back to business as usual.

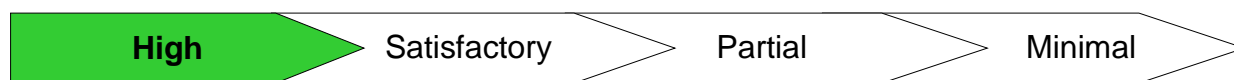
#### Processing of Adult Social Care payments and Financial support to domiciliary care providers and residential care homes

Payments for the provision of domiciliary care and residential care provision continued to be made by the Council for commissioned care in line with standard operating processes.

In addition, the Council provided additional financial support to domiciliary care providers and residential care homes for 3 months at the beginning of the pandemic to ensure they could maintain their services whilst their resources were being impacted by the largescale response to the pandemic.

## Appendix 2: Audit Opinion and Summaries

### Assurance



This support was clearly articulated to providers on commencement, with an agreement that domiciliary care providers had to provide 75% delivery of their expected commissioned care in order to be reimbursed up to 100% and, for residential care homes, a 10% top up of their agreed scheduled payments would be provided.

The Council used actual data recorded in systems to assess the attainment of domiciliary care providers and payment schedules for residential care homes to inform their payment calculations. Specifically for domiciliary care providers, as payment was made for “frustrated” visits where care was not accepted / required, despite an attempt to deliver, the Council tracked these visits, which ensured that no provider was paid beyond 100% of their agreed contract value.

Throughout the 3-month period of support, the Council performed reconciliations for all payments, to ensure no under or over payments were present. A final reconciliation was performed to confirm all providers and care homes were paid what they were due in line with the rationale set.

The decision to provide this financial support aided the Council’s ability to exercise their duty of care to those who needed support through the delivery of services by such providers. The processes and controls, using the systems in place, were effective in identifying the necessary payments to be made, with these payments remaining in line with the budget allocation made by the Council and payments were approved in line with the Council’s standard working practices.

Internal Audit were able to sample test payments made during the period and appropriate controls were noted as being in place.

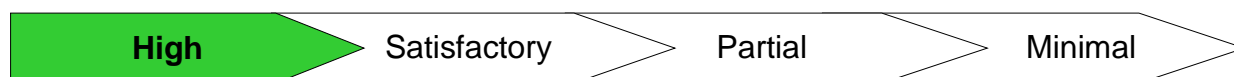
#### Hospital discharge process

The Government and the NHS introduced a revised hospital discharge process to help free up hospital beds in a timely manner when a patient was ready to be discharged. This change transferred the responsibilities for performing an initial assessment of care to hospital ward staff so patients could be duly supported in either returning home or into a care setting. Then for a period of up to 6 weeks, this care could be recharged back to the NHS by the Council, whilst the Council assessed the need for longer term care and, if that was required, the Council would resume responsibility for this care and its cost and the service user would be duly assessed for any financial contribution.

It is clear the Council has mobilised and adapted to the hospital discharge process to work with its partners and embed working practices at a fast pace, making the necessary changes to team alignment, system use and functionality to ensure when a person is discharged, they are supported and cared for accordingly. This was all completed, and continues to operate, whilst both the hospital and Adult Social Care teams have been under immense pressure, as well as supporting on a number of frontline activities.

## Appendix 2: Audit Opinion and Summaries

### Assurance



Internal Audit were able to validate the key stages of the process, which are supported by required documentation and that has informed the recharging regime. The recharge process uses the best available data to inform its invoicing to ensure that the Council is in receipt of the funding it is due.

This audit has provided management with positive feedback on the process changes implemented and the execution of specific decisions across the areas of scope. Where there have been minor areas to strengthen the process identified, management have acted on these promptly. It will be important that the Council looks back and considers what worked well as part of this experience as well as what didn't and take on board any identified key learnings to ensure, in the likelihood a response is needed to a similar largescale incident / event again, the agility demonstrated through this incident is accompanied by the documentation and governance requirements incumbent on all public bodies in safeguarding public funds.

Number of actions agreed: 0

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## **Appendix 3: Other Audits and Grant Claims**

### **Highways Maintenance and Challenge Fund**

#### **Purpose of Funding**

Funding was provided to assist with the Belton Way highways protection works.

#### **Conclusion**

It was confirmed that spend was compliant in that:

- it fell within the definition of "capital" for accounting purposes
- work undertaken related to the Belton Way project.

**Opinion: Unqualified**

### **Pothole and Challenge Fund**

#### **Purpose of Funding**

Funding was provided to assist with plans to repair potholes and bridge strengthening works

#### **Conclusion**

It was confirmed that spend was compliant in that:

- it fell within the definition of "capital" for accounting purposes
- work undertaken related to pothole repairs in the borough.

Works relating to bridge strengthening have not yet been undertaken and so the budget has been carried over to 2021/22. The spend will be certified as part of the 2022/23 audit plan alongside the other highway grants received in 2021/22.

**Opinion: Unqualified**

### **Integrated Transport and Highways Maintenance**

#### **Purpose of Funding**

To assist in delivering transport improvement schemes, which can include:

- road markings and re-surfacing
- upgrades to traffic signals
- bridge strengthening
- installation / replacement of sign lights and street lights
- upgrades to electronic bus information screens.

#### **Conclusion**

It was confirmed that spend was compliant in that it:

- fell within the definition of "capital" for accounting purposes
- Work undertaken related to the areas outlined above.

**Opinion: Unqualified**

## **Appendix 3: Other Audits and Grant Claims**

### **Supporting Families Programme, Payments by Results Scheme Grant 2021/22 - claim April to June 2021**

#### **Objective**

To assess compliance with the terms and conditions of the Ministry of Housing, Communities and Local Government's (MHCLG) new Programme Guidance for making Payment by Result (PBR) claims for the year April 2021 to March 2022 under the 2021-22 Phase of the Supporting Families Programme.

#### **Background**

The new phase of the programme aims to build resilience by providing whole family support at the earliest possible point and help prevent escalation into statutory services. The Council has agreed to achieve measurable outcomes with a minimum of 258 families assisted by March 2022 under this Programme.

In line with the previous Troubled Families Programme, the new phase requires that Internal Audit verifies a 10% representative sample of PBR claims before they are made to ensure there is supporting evidence to confirm families:

- met the required criteria to be considered for entry to the Supporting Families Programme
- have achieved either continuous employment or significant and sustained progress against all problems identified at the point of engagement and during intervention as defined by the Council's agreed Outcomes Plan.

The new Programme Guidance has been updated to allow for a second PBR claim to be made for a family receiving support where a certain set of circumstances have been met. This is particularly pertinent as families recover from the impacts of the Covid-19 pandemic.

#### **Conclusion – claim period April to June 2021**

Between April and June 2021, 43 PBR claims were presented to audit, prior to submission to the MHCLG.

The Team Manager reviews a minimum of 10% of claims to confirm appropriate evidence has been provided.

One of the 43 claims was withdrawn because it was found to have been claimed previously and did not meet the circumstances for a second PBR claim. This left 42 claims for submission to the MHCLG, nine of which were second PBR claims for families who had received additional support since the first PBR claim was made.

Internal Audit randomly selected four claims for review, two of which had been checked by the Team Manager and two which represented second PBR claims for families previously supported. For all four claims, suitable evidence was available to support:

- entry into the programme
- a claim for significant and sustained progress against all problems identified at the point of engagement and during intervention



## **Appendix 3: Other Audits and Grant Claims**

- the circumstances required by the new Supporting Families Programme for a second PBR claim to be made in recognition of the additional support given to those families.

### **Supporting Families Programme, Payments by Results Scheme Grant 2021/22 - claim July to September 2021**

#### **Objective**

To assess compliance with the terms and conditions of the Ministry of Housing, Communities and Local Government's (now the Department for Levelling Up, Housing and Communities) new Programme Guidance for making Payment by Result (PBR) claims for the year April 2021 to March 2022 under the 2021-22 Phase of the Supporting Families Programme.

#### **Background**

The new phase of the programme aims to build resilience by providing whole family support at the earliest possible point and help prevent escalation into statutory services. The Council has agreed to achieve measurable outcomes with a minimum of 258 families assisted by March 2022 under this Programme.

In line with the previous Troubled Families Programme, the new phase requires that Internal Audit verifies a 10% representative sample of PBR claims before they are made to ensure there is supporting evidence to confirm families:

- met the required criteria to be considered for entry to the Supporting Families Programme
- have achieved either continuous employment or significant and sustained progress against all problems identified at the point of engagement and during intervention as defined by the Council's agreed Outcomes Plan.

The new Programme Guidance has been updated to allow for a second PBR claim to be made for a family receiving support where a certain set of circumstances have been met. This is particularly pertinent as families recover from the impacts of the Covid-19 pandemic.

#### **Conclusion – claim period July to September 2021**

Between July and September 2021, 64 PBR claims were presented to audit, prior to submission to the Department for Levelling Up, Housing and Communities with one claim being identified as a second claim for a family for which a PBR claim had previously been made.

Audit work identified that of the 64 claims, a further six claims represented reclaims for families for which a previous PBR had been made. Of these six:

- four were removed from the PBR claim finally made as they did not meet the criteria for a second claim in that the required two years gap between the first and second claims had not elapsed. Going forward these claims will be reviewed to identify whether they meet criteria for a subsequent claim to the Department for Levelling Up, Housing and Communities

## **Appendix 3: Other Audits and Grant Claims**

- two were included as meeting the now Department for Levelling Up, Housing and Communities' criteria for a second claim.

Of the remaining 60 claims submitted to the Department for Levelling Up, Housing and Communities for a PBR claim the Team Manager had:

- independently reviewed four of the claims where families were supported by the Early Help team, to confirm appropriate evidence had been provided for a PBR to be claimed. This represented the usual 10% check of claims made.
- reviewed evidence for a further nineteen cases related to Child in Need (CIN) claims where families had been supported by Social Care teams.

Internal Audit randomly selected six claims for review which included four worked on by the Early Help team and two of the CIN claims reviewed independently by the Team Manager. For all six claims, suitable evidence was available to support:

- entry into the programme
- a claim for significant and sustained progress against all problems identified at the point of engagement and during intervention.

# Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

**Audit Committee**

on

**12 January 2021**

Report prepared by Shaun Dutton, Counter Fraud &  
Investigations Manager

Agenda  
Item No.

66

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## Counter Fraud & Investigation Team: Quarterly Performance Report

### *A Part 1 Public Agenda Item*

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#### **1. Purpose of report**

- 1.1 To update the Audit Committee on the progress made by the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programme for 2021/22.

#### **2. Recommendation**

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Team over the last three months.

#### **3. Introduction**

- 3.1 This report covers the period from the last report to the Committee, which used figures correct as of 5 October 2021, to 17 December 2021.
- 3.2 The team continues to enjoy a steady influx of fraud referrals and the number of active investigations is at its highest level since the current team's inception in October 2019.
- 3.3 Progress continues to be made on the CFIT Work Plan 2021/22 (Appendix 1) with the following achievements this quarter:
- Fraud awareness messages and information on how to report fraud to the Council are now being regularly posted through all the Council's and South Essex Homes' social media channels.
  - CFIT officers are enhancing the liaison with Internal Audit colleagues to review the fraud risks in the Internal Audit planned work areas, and to obtain support in respect of addressing the control weaknesses identified by CFIT. This will add weight to the counter fraud recommendations and strengthen the joint working between the teams.

- Following the lessons learned from the joint CFIT and APCOA<sup>1</sup> Blue Badge enforcement exercise, CFIT officers have now been authorised as Enforcement Officers<sup>2</sup> with powers to inspect and retain misused Blue Badges. A second enforcement exercise was conducted and this resulted in two badges being confiscated and one fraud investigation.
- A further Blue Badge enforcement exercise has been planned for March 2022.
- The team's Blue Badge investigation policy has been updated with a firm statement to address this type of fraud and seek harsher sanctions for offenders.
- A Blue Badge training course has been written to assist APCOA's Civil Enforcement Officers (CEOs) in their understanding of Blue Badge fraud and improve their evidence collection. This course will be delivered to all CEOs in 2022.
- The housing fraud enforcement exercise planned for October was postponed due to difficulties in obtaining tenancy data. This has now been resolved and the exercise has been rescheduled for January 2022.
- An open letter to all South Essex Homes' tenants has been delivered through their tenancy magazine. This highlights tenancy fraud and how to report it.
- Funding has now been agreed to train two CFIT officers as Accredited Financial Investigators. Once qualified, the team will be able to provide a Financial Investigation service to other areas of business in the Council, such as Trading Standards and Planning. This will enable the Council to pursue convicted offenders for the proceeds of their crimes and a portion of confiscation funds returned to the Council if successful. The use of these funds is restricted, driving up performance on asset recovery and funding local crime fighting priorities for the benefit of the community.
- A funding bid has been prepared to finance the Council's membership of CIFAS (the Credit Industry Fraud Avoidance System). This will provide access to the UK's largest cross-sector fraud sharing databases which will enhance criminal investigations for all teams who conduct this activity as well as strengthening due diligence checks, 'fit and proper person' checks and staff vetting.

3.4 CFIT officers spend one day a month joint working with South Essex Homes' Tenancy Support Officers. This encourages closer working and better understanding of the two roles. Feedback from this initiative has been both positive and productive.

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<sup>1</sup> APCOA are the Council's traffic management and enforcement partners.

<sup>2</sup> Authorisation for plain clothes Enforcement Officers was granted under s21 of the Chronically Sick and Disabled Persons Act 1970.

- 3.5 Information Sharing Agreements have been made between CFIT and eight key areas of the Council's business. A further five have been prepared and currently await signatures. These agreements provide a legal basis for the sharing of information and will increase the efficiency of our fraud investigations. They will also allow CFIT officers direct access to various information management systems which will broaden our intelligence picture and assist with statutory obligations during prosecutions.
- 3.6 A funding bid has been prepared for the team to recruit a Counter Fraud Apprentice. This is a cost effective means of expanding CFIT's capacity and capabilities. It is expected that, as our technical fraud detection capabilities increase through activities such as data matching across the CIFAS database, more fraud will be detected. This will put a greater demand on the team's human resources both in detection and investigation activity. An apprentice is expected to enable this and give a good return on the investment.

#### **4. Investigations**

- 4.1 Since 1 April 2021, CFIT have dealt with, or are investigating, 309 cases (94 of these cases commenced prior to this date).
- 4.2 Since 1 April 2021, we have received 215 new cases of which 64 were received since the last report to the Committee.
- 4.3 Of the total 309 investigations:
- 215 have been concluded.
  - 94 investigations are active:
    - 65 are currently being investigated.
    - 5 are with legal services for prosecution.
    - 24 are awaiting assignment to an investigator.
- 4.4 A breakdown of these investigations can be found in Appendix 2.
- 4.5 Highlights this period include:
- The conviction of two individuals who intercepted and forged Council parking permits resulting in them each receiving a 12 month community order with 80 hours work and the award of £349.62 costs and a £95 victim surcharge from each of them.
  - £4,729.74 in Business Rates recouped with an added income to the Council of £4,561.81 next year following a Small Business Rates Relief investigation.
  - £559.04 recouped from fraudulently obtained Council Tax Single Person Discount.
  - Four individuals cautioned for Blue Badge misuse and one Badge confiscated saving the Council £575 in the coming year<sup>3</sup>.

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<sup>3</sup> The Cabinet Office estimates that a Blue Badge fraud costs the Local Authority £575 in lost parking revenues a year.

- Two properties recovered, saving the Council an estimated £46,000 in the next year in temporary accommodation costs<sup>4</sup>.
- 16 referrals to the DWP, the NCA, NATIS, Essex Police, the Environment team, and other local authorities.
- Meeting 47 DPA requests from other agencies.

#### 4.6 Our results for 2021/22 so far are:

- 3 successful convictions for environmental, fraud and forgery offences, resulting in a £4,000 fine, a total of 160 hours community work and the award of a total £938.94 in costs.
- Council Tax Reduction Scheme Administrative Penalties<sup>5</sup> agreed to the value of £2,671.29.
- £12,481.91 of fraudulently obtained Council Tax reductions and discounts recovered<sup>6</sup>.
- £4,729.74 in Business Rates recouped with an added income to the Council of £4,561.81 next year following a Small Business Rates Relief investigation.
- Assisting the prevention of £100,746 in fraudulent covid-related grant applications being awarded.
- £40,900 of fraudulent or incorrectly awarded covid-related grant payments recovered.
- Assisting in the recovery of five social housing properties, saving the Council an estimated £115,000 in future temporary accommodation costs<sup>4</sup>.
- £87,699 in savings generated by the National Fraud Initiative (see section 7).
- Three employees referred to Human Resources for misconduct issues.
- One individual removed from the social housing waiting list for failing to declare assets.
- Assessing 32 Right to Buy applications on behalf of South Essex Homes, 5 of which required further enquiries.
- Five individuals cautioned for Blue Badge misuse and two badges confiscated, saving the Council an estimated £1,150 of lost parking revenue in the coming year.
- 29 referrals to other agencies.
- Meeting 135 DPA requests for information from other agencies.

This totals **£370,878.69** benefit to the Council from CFIT's activities since 1 April 2021.

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<sup>4</sup> It is estimated that the fraudulent occupation of a social housing property costs the Council £23,000 a year - this is the cost of keeping a family in temporary accommodation for that time. Other estimates put this cost a lot higher by factoring in the cost of investigation, enforcing statutory obligations, anti-social behaviour etc.

<sup>5</sup> The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 allow the Authority to offer offenders an Administrative Penalty of between £100 and £1,000 as an alternative to prosecution.

<sup>6</sup> This is mainly the recovery of fraudulently obtained Single Person Discount and Council Tax Reduction.

4.7 Our current prosecutions involve:

- A procurement fraud valued at £726,884.82 (2 defendants)<sup>7</sup>.
- A Small Business Rates Relief fraud valued at £35,239.90.
- A Small Business Rates Relief fraud valued at £24,136.39 (2 defendants).
- Fraudulently acquiring goods from the Essential Living Fund valued at £229.95

**5. Fraud prevention**

5.1 CFIT's Fraud prevention strategy is comprised of:

- Raising the awareness of the risk of fraud in all staff.
- Maintaining adequate controls in policies and procedures.
- Highlighting new frauds and information sharing.
- Deterrence by publicising our results.
- Deterrence by having a high visibility in the community by conducting proactive detection and deterrence exercises.

5.2 The Fighting Fraud in Local Government Course, written by CFIT, has been completed by 683 officers and is rated 4.5 out of 5 stars. The Monthly Fraud Update is a newsletter for staff and the public highlighting current risks of fraud and providing advice as to how people can protect themselves. This reaches over 700 individuals.

5.3 The successful prosecution mentioned above was publicised through the local press and a press release was provided to the media team regarding our recent Blue Badge enforcement exercise.

5.4 As mentioned above, CFIT are increasing the engagement in Internal Audit's work to provide a fraud risk assessment and enhanced recommendations to strengthen any identified vulnerabilities in control arrangements.

5.5 Membership of CIFAS entails publishing Fair Processing Notices where there is an intention to search the National Fraud Databases for indications of previous dishonest conduct. This will deter corrupt suppliers and prospective employees from engaging with the Council to commit further offences.

5.6 Since 1 April 2021, CFIT have issued 34 specific fraud threat alerts to various areas of the Council's business including Procurement, Schools and Payroll.

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<sup>7</sup> This is a long-running investigation inherited from the precursor team; due to their records management, this has been recorded as two cases when it is, in fact, one. Hence our records also show this as two prosecutions.

## **6. The National Fraud Initiative (NFI)**

- 6.1 The NFI is a central government exercise that matches electronic data within and between public sector bodies to prevent and detect fraud. These bodies upload their data to a central service which then produces data matching reports. This process runs on a 2-year cycle.
- 6.2 An example of this is matching household non-dependents who have turned 18 with households in receipt of Council Tax Single Person Discount (SPD) (the non-dependent ceases to be such when they reach this age and SPD can no longer be claimed).
- 6.3 CFIT operates as the local coordinator and key contact for the NFI at the Council: centrally organising the upload of data and the processing of returns.
- 6.4 The current cycle is now at the stage where results are being returned for local review and assessment.
- 6.5 While the results are still being assessed, there are some early results:
- £20,424 in savings relating to concessionary travel passes
  - £67,275 in savings relating to disabled person's blue badges

This totals **£87,699** in savings from the NFI to date.

- 6.6 25 fraud investigations have also resulted from the current NFI exercise to date.

## **7. Corporate implications**

### **7.1 Contribution to the Southend 2050 Road Map**

The team's work to reduce fraud, protect the council from fraud and corruption, to pursue offenders and to recoup properties and money from the convicted contribute to the delivery of the Council Ambition and the delivery of all Southend 2050 outcomes. It does this by protecting and recovering the assets and funds that the council holds.

Furthermore, proactive fraud and corruption work, alongside the reactive prosecution of offenders, acts as a deterrent for such activities and assists in the identification of financial loss and loss of assets.

Such proactive counter fraud work can result in reduced costs to the Council by protecting it against potential loss and civil or insurance claims.

### **7.2 Financial Implications**

The work of the Counter Fraud and Investigation Team will be delivered within the approved budget.

Any financial implications arising from identifying and managing fraud risk will be considered through the normal financial management processes.

As noted at paragraph 4.6 the Counter Fraud and Investigation team has delivered £370,879 benefit to the Council through its activities.



### 7.3 Legal implications

The Accounts and Audit Regulations 2015 section 3 states that:

*“The relevant authority must ensure that it has a sound system of internal control which:*

- Facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- Ensures that the financial and operational management of the authority is effective*
- Includes effective arrangements for the management of risk.”*

The work of the Counter Fraud & Investigation Team contributes to the delivery of this.

Where fraud or corruption is proved the Council will:

- Take the appropriate action which could include disciplinary proceedings, civil action and criminal prosecution.
- Seek to recover losses using criminal and civil law.
- Seek compensation and costs as appropriate.

### 7.4 People implications

People issues that are relevant to delivering individual investigations, or the Workplan, will be considered as part of each piece of work, and Human Resources consulted as appropriate.

### 7.5 Property implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as the proceeds of crime. Such action will benefit the Council by returning social housing stock for the use of those in most need, recovering the assets of those who seek to profit from criminal behaviour and deterring others from considering such activity.

### 7.6 Consultation

The progress with investigations and delivery of the Workplan are periodically discussed through monthly meetings with key stakeholders and with Directors before being reported to Corporate Management Team and the Audit Committee.

### 7.7 Equalities Impact Assessment

The relevance of equality and diversity issues is considered during the initial planning stage of each investigation and piece of development work delivered, with Human Resources consulted as appropriate.

### 7.8 Risk assessment

Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from criminal activity. Such a culture should be led and supported by the Senior Management Team.

While risk cannot be eliminated from the Council's activities, implementing counter fraud and corruption policies and culture will contribute to managing this more effectively.

## 7.9 Value for money

An effective Counter Fraud and Investigation Team should save the Council money by:

- Reducing the opportunities to perpetrate fraud; this is reducing potential losses to future budgets.
- Detecting fraud promptly and applying relevant sanctions where it is proved; this limits the losses to fraud and corruption.
- Pursuing perpetrators to recover losses and to seek compensation; this limits the losses to fraud and corruption.
- Recovering properties; this reduces the strain on the social housing stock and reduces the cost of temporary accommodation to future budgets.
- Limiting the cost of investigation and pursuit of offenders by the application of alternate sanctions where appropriate; this provides a cost-effective service.
- Generate an income for the Council through the provision of counter fraud awareness training to the Council's partners and service providers and the provision of an investigation/prosecution service to appropriate partners.

## 7.10 Community Safety Implications

These issues are only considered if relevant to a specific investigation, or piece of development work, undertaken.

## 7.11 Environmental Impact

These issues are only considered if relevant to a specific investigation, or piece of development work, undertaken.

# Appendices

Appendix 1 – Counter Fraud Work Plan 2021/22

Appendix 2 – Breakdown of CFIT investigations

## Southend-on-Sea Borough Council

Finance & Resources Service

Executive Director Finance & Resources : Joe Chesterton

Civic Centre, Victoria Avenue, Southend-on-Sea, Essex SS2 6ER

### Counter Fraud & Investigation Team

Working to make  
lives better  
www.southend.gov.uk



## Appendix 1 – Counter Fraud Work Plan 2021/22

### KEY:

Denotes proactive initiatives
Denotes prevention/protection initiatives
Denotes development activities

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Counter fraud	Maintain business as usual through management of the caseload, timely investigation of referrals towards a prompt, efficient and fair resolution, proactive fraud detection initiatives and the provision of advice and training to the wider council.	Ongoing	Business as usual is being maintained, the team is at its full complement and the backlog of cases is in remission.	5	Shaun DUTTON	Ongoing
Business Rates	Pro-active audit of empty commercial premises.	TBD	This is dependent upon the pressures on the Business Rates team easing. Therefore aspirational at this time.	5	Shaun DUTTON	ON HOLD
Council Tax	Joint working agreement with DWP for cases involving the Council Tax Reduction scheme.	TBD	Information provided by the DWP suggests that their fraud investigation capability is not engaging at a local level. This makes a local joint working agreement impossible and	2	Shaun DUTTON Caroline MERCECA	ON HOLD



Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			therefore this activity is on hold pending resumption of local DWP investigations. This situation will be monitored. The lack of DWP engagement with local authorities is a subject of national concern at the moment and is being addressed through the Fighting Fraud and Corruption Locally group.			
Council wide	Internal publicity campaign to highlight the work and reporting mechanisms of the fraud team.	Ongoing	Avenues to increase the team's profile across the Council continue to be explored. The monthly fraud newsletter's audience is expanding and now reaches approximately 700 recipients.	1	Shaun DUTTON	Ongoing
		October 2021	Programme of publicity and talks to raise staff awareness of the Whistleblowing procedures and how to report concerns.	2	Shaun Dutton	15/10/2021
		October 2021	Publicity campaign to highlight International Fraud Awareness Week.	1	Shaun DUTTON	15/10/2021
Housing	Pro-active audit of SBC tenancies.	June 2021	The first exercise was completed, with some success.	5	Shaun DUTTON	26/06/2021

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
		October 2021 revised to March 2022	Currently awaiting a list of tenancies from South Essex Homes. This was provided in December and the Target date for this exercise has been revised to January 2022.		James COUSEN	Ongoing
Housing	Review of SBC tenancy terms and conditions to strengthen the counter fraud message and encourage cooperation with the counter fraud team.	TBD	The South Essex Homes' tenancy T&Cs are due to be reviewed. South Essex Homes are aware that we wish to contribute. We are waiting for information as to when their review will take place.	1	Shaun DUTTON	Ongoing
Council wide	<p>Fraud risk and process analysis of areas of the Council's business at high risk of fraud:</p> <ul style="list-style-type: none"> <li>• Procurement</li> <li>• Housing</li> <li>• Housing applications</li> <li>• School admissions</li> <li>• Blue badge applications</li> <li>• Council Tax</li> <li>• Business Rates</li> <li>• Online services</li> <li>• Social Care Direct payments</li> <li>• Recruitment</li> <li>• Others dependent upon current research</li> </ul> <p>Policy review, process improvement recommendations where appropriate, service-specific training to be delivered where required.</p>	Start July 2021	<p>This work will now be performed alongside Internal Audit's programme of work with risk assessment findings incorporated into their reports. This has the effect of adding more weight to any recommendations made and contributing to a closer working relationship between the two teams.</p> <p>CFIT continue to issue specific post-investigation reports recommending process / policy improvements that would provide a greater protection against fraud where appropriate.</p>	2-5	Shaun DUTTON	Ongoing

**OFFICIAL**

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Blue Badge	Review of the process on how Blue Badge fraud is dealt with and training for APCOA staff. Pro-active Blue Badge fraud exercise, possibly a joint exercise with APCOA and Essex Police.	August 2021	The joint exercise with APCOA has been completed. This was a high-profile exercise that received strong support from the community.	5	Shaun DUTTON Paul BROADBENT	20/08/2021
		December 2021				06/12/2021
		March 2022	The methodology of the exercise will be revised and a further exercise will be conducted later in the year.			
			Counter Fraud officers have now been granted powers to inspect and retain Blue Badges. Warrant cards are currently being produced and a second proactive exercise will be conducted once these are available.  Permission has been granted to deliver Blue Badge refresher training to APCOA CEOs and this is in production.			
Housing	Postal information campaign to targeted tenancy areas to encourage reporting of concerns about fraud.	August/ September 2021	This has been delivered through SEH's magazine to all tenants in the form of an open letter.	2	Shaun DUTTON James COUSEN	October 2021
Benefits	Contribute to the amendment of the Council Tax Reduction Scheme (CTRS) policy to ensure that the team is empowered to investigate CTRS fraud without a dependence on the DWP.	Summer 2021	Awaiting confirmation of when the Council's policy is due for review.	1	Shaun DUTTON	Ongoing

**OFFICIAL**

**OFFICIAL**

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Business Rates	Research project to determine best practice and effective methods of combatting Business Rates fraud.  Establish a working group between CFIT, Trading Standards, Business Rates and Legal Services to review the Council's capabilities and determine realistic opportunities for prevention, detection and action against offenders.	November 2021	This project is waiting to be assigned.  A meeting has been discussed with some of the interested parties regarding the BR issue but was interrupted by the Covid-19 crisis. This may have to wait until the pressure on the BR team is reduced.	2	TBD  Shaun DUTTON	Ongoing
Counter fraud	Explore joint working opportunities with other SBC teams, particularly parking, Regulatory Services and Trading Standards. Explore the possibility of information / intelligence sharing hub.	Ongoing	The team is now a participant in the Strategic Tasking Allocation Group which affords these opportunities and meets this task.	1	Paul BROADBENT	02/06/2021
Counter fraud	Develop a financial investigator capability.  Develop a financial intelligence officer capability.	2022	Funding has now been agreed to train two officers in Financial Investigation. The first course will commence in March 2022.  This has been superseded by the ambition to have two officers trained as financial investigators.	3  2	Shaun DUTTON Caroline MERCIÉCA David GILL	In progress
Specific teams	Training in specific counter fraud techniques to be delivered to identified teams: <ul style="list-style-type: none"> <li>False document identification</li> <li>Spotting the signs of subletting</li> </ul> Others as identified through risk analysis activities (see below)	March 2022	An update on spotting the signs of subletting has been delivered to South Essex Homes' officers.  A session on false document identification is being written.	2	Shaun DUTTON  David GILL	23/06/2021

**OFFICIAL**

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Various	Investigate the use of technology and data matching to identify and target the risks of fraud against the Council. Develop targeted proactive exercises to act on the results.	March 2022	<p>This is aspirational and dependent upon a variety of factors such as information sharing agreements, the availability, cost and complexity of tools required to do this, staff training etc. Enquiries into the feasibility of this will be conducted as and when workload commitments allow.</p> <p>A meeting has been planned with a potential supplier of internet data mining services.</p> <p>A data matching exercise is being planned to assess the scale of fraud against the Essential Living Fund.</p> <p>A business case for membership of CIFAS has been prepared. This will allow the Council access to the National Fraud Database and the Enhanced Internal Fraud Database. These enable increased fraud intelligence gathering and risk assessment, enhanced employee and supplier vetting checks, enhanced evidence collection and data matching</p>	2-4	Shaun DUTTON David GILL	<p>Ongoing</p> <p>August 2021</p>



Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			across live and current data sets from across the public and private sectors.			
Residents	Conduct a programme of presentations to local community groups and residents' associations to highlight the risks of fraud and how to protect self and the council.	Ongoing	These will be on a no more than monthly basis and the first talk has been delivered. Contacts are being collected from interested groups.	1	Shaun DUTTON	Ongoing
Counter fraud	Develop 'income generation' opportunities through: <ul style="list-style-type: none"> <li>Counter fraud training initiatives for SBC partners and service providers</li> <li>An investigation and prosecution service to local Housing Associations</li> <li>Provision of a Financial Investigation service to other SBC teams and possibly other local authorities.</li> </ul>	TBD	This is aspirational at this time and development will be dependent upon how the team progresses and develops over the coming 12 months. This cannot be explored at the expense of our ongoing workload commitments or pro-active and prevention activities for the Council.	TBD	Shaun DUTTON	Ongoing

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## Appendix 2 - Breakdown of CFIT investigations as at December 2021<sup>1</sup>

Category	Cases since last report (5 October 2021)	Total new cases since 1 April 2021	Active investigations (being investigated, awaiting allocation or with Legal Services) <small>Cases that started prior to 01/04/2021 in parentheses.</small>	Closed investigations since 1 April 2021 <small>Cases that started prior to 01/04/2021 in parentheses.</small>
<b>Transport</b> (Blue Badge, parking permits etc.)	7	32	6 (0)	35 (9)
<b>Schools</b> (including Early Years)	0	1	0 (0)	1 (0)
<b>Council Tax and Business Rates<sup>2</sup></b>	31	94	50 (17)	95 (34)
<b>DWP</b>	0	5	0 (0)	5 (0)
<b>Grant Fund fraud</b>	1	4	5 (2)	1 (0)
<b>Housing</b> (unlawful subletting, Right to Buy fraud etc.)	17	58	26 (7)	52 (13)
<b>Money Laundering</b>	0	0	0 (0)	1 (1)
<b>Procurement</b>	0	2	2 (2)	2 (0)
<b>Social Care</b> (Direct Payment fraud etc.)	0	3	2 (1)	4 (2)
<b>Employee</b>	1	3	2 (0)	6 (5)
<b>Miscellaneous</b> (immigration, fraudulent cheques, mischievous referrals etc.)	7	13	1 (0)	13 (1)
<b>TOTALS</b>	<b>64</b>	<b>215</b>	<b>94 (29)</b>	<b>215 (65)</b>

<sup>1</sup> Figures are correct as of 14/12/2021

<sup>2</sup> These figures include covid-19 relief grant fraud as they are administered by Business Rates

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# Southend-on-Sea Borough Council

Report of the Executive Director (Finance and Resources)

to

**Audit Committee**

on

**12 January 2022**

Report prepared by: Andrew Barnes, Head of Internal Audit

Agenda  
Item No.

**7**

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## **Risk management update**

### ***A Part 1 Public Agenda Item***

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#### **1. Purpose of Report**

- 1.1 To update the Audit Committee on the delivery of the risk management policy statement and strategy.

#### **2. Recommendations**

- 2.1 **The Audit Committee notes the delivery of implementing the risk management policy statement and strategy.**

#### **3. Risk Management Policy Statement and Strategy**

- 3.1 Work is being undertaken on updating the policy statement and strategy through the updated Future Ways of Working programme as part of the Decision-Making element of the programme, with the aim of ensuring that risk awareness and horizon scanning is business as usual for all teams. This has focussed on accessing some of the key elements of the Council's arrangements as these are important to the effective delivery of the strategy and embedding of an effective approach:
- Governance Boards – being key elements of the way the Council is currently seeking to manage itself and the delivery of the Southend 2050 outcomes
  - Departmental Management Team meetings (DMTs) – being the key forum at which groups of senior managers gather to discuss key issues in their departments.
- 3.2 The re-introduction of a Corporate Plan from 2022/23 provides the opportunity for a review of the Council's governance framework that underpins the delivery of the expectations of the Corporate Plan, and therefore a team has been convened to review the current arrangements and make recommendations to deliver improvements that will seek to implement the Council's aim of simple and effective governance. Effective risk management is regarded as a key element of the governance framework and will therefore provide a key element of the updated governance framework.

- 3.3 Ongoing attendance at the Governance Boards has confirmed there is a need to ensure that the overall governance framework is reviewed and updated to reflect the Council's aim of simple and effective governance, and for the updated arrangements to be sufficiently well understood by the organisation for them to be effectively utilised and become properly embedded. This includes the necessary workflow to establish a proper understanding of the risks that are being dealt with.
- 3.4 Senior Management and the Good Governance Group have also been in discussion about the role of each of the Governance Boards and will be addressing this in early 2022 as part of the work to provide an updated governance framework to support the implementation of the Corporate Plan, with clearer signposting about the role of the elements of the framework so that all staff can understand their role in the delivery of simple and effective governance and how this contributes to the delivery of the Council's aims and objectives through implementation of the corporate plan.
- 3.5 All of the Council's DMTs have been visited to gain a clearer understanding of how the current risk management policy statement and strategy is being utilised across the Council, and from this understanding a revised proposed approach and tools are being developed to assist teams with the local management of the risks they are encountering and an enhanced ability to raise awareness of these and escalate them as necessary. Work is in progress on updating the Risk Management Policy Statement and Strategy as part of this work.
- 3.6 In addition the corporate risk register is being reviewed and updated and will be reported to Cabinet on 22 February 2022, therefore Members will be able to access and review the current position of the corporate risk register within the agenda papers for that meeting.

#### **4. Reasons for Recommendations**

- 4.1 **One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework, therefore understanding and overseeing the approach to risk management enables the Committee to achieve this purpose.**

#### **5. Corporate Implications**

##### **5.1 Contribution to the Southend 2050 Road Map**

The corporate risk management arrangements underpins the operational effectiveness of the Council's corporate governance arrangements and specifically monitors progress of managing key risks associated with the successful delivery of Southend 2050 Ambition, Roadmap and Outcomes.

##### **5.2 Financial Implications**

Any financial implications arising from identifying and managing risk will be considered through the normal financial management processes. Proactively managing risk can result in reduced costs to the Council by reducing exposure to potential loss.

##### **5.3 Legal Implications**

The Accounts and Audit Regulations 2015 require the Council to ensure that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's function and which includes the arrangements for the management of risk.

#### 5.4 People Implications

Any people implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

#### 5.5 Property implications

Any property implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

#### 5.6 Consultation

Consultation has taken place with key stakeholders.

#### 5.7 Equalities and Diversity Implications

Corporate equalities considerations have been considered in the drafting of the risk management strategy and corporate risk register and any specific equality related risks have been identified for the Council.

#### 5.8 Risk Assessment

Failure to implement a robust assurance framework which includes fit for purpose risk management arrangements increases the risk that Council objectives will not be delivered.

#### 5.9 Value for Money

Effective forecasting and timely management of risk is a key factor in preventing waste, inefficiency and unnecessary or unplanned use of resource.

#### 5.10 Community Safety Implications

Any community safety implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

#### 5.11 Environmental Impact

Any environmental implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

### 6. Background Papers

- The Accounts and Audit Regulations 2015
- Risk management policy statement and strategy
- Corporate risk register as being reported to Cabinet on 22 February 2022

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