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SOUTHEND-ON-SEA CITY COUNCIL

**Audit Committee**

**Date: Wednesday, 11th January, 2023**

**Time: 6.30 pm**

**Place: Committee Room 1 - Civic Suite**

**Contact: Robert Harris – Principal Democratic Services Officer**

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

**AGENDA**

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Minutes of the Meeting held on Wednesday, 23 November 2022 (Pages 1 - 4)**
- 4 External Audit 2020/21 status - verbal update**  
Verbal report of the Deputy Chief Executive and Executive Director (Finance and Resources)
- 5 Treasury Management Policy for 2023/24 (Pages 5 - 38)**  
Report of Deputy Chief Executive and Executive Director (Finance and Resources)
- 6 Homes England compliance report for 2022/23 (Pages 39 - 44)**  
Report of Deputy Chief Executive and Executive Director (Finance and Resources)
- 7 Internal Audit Service Quarterly Performance Report (Pages 45 - 68)**  
Report of Deputy Chief Executive and Executive Director (Finance and Resources)
- 8 Counter Fraud & Investigation Team Quarterly Performance Report (Pages 69 - 88)**  
Report of Deputy Chief Executive and Executive Director (Finance and Resources)

**Chair & Members:**

Cllr M Dent (Chair), Cllr I Shead (Vice-Chair), Cllr H Boyd, Cllr K Buck, Cllr T Cox, Cllr M Davidson, Cllr A Line, Cllr R McMullan, Cllr K Murphy and K Pandya

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# SOUTHEND-ON-SEA CITY COUNCIL

## Meeting of Audit Committee

**Date: Wednesday, 23rd November, 2022**

**Place: Council Chamber - Civic Suite**

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**Present:** Councillor M Dent (Chair)  
Councillors I Shead (Vice-Chair), H Boyd, K Buck, M Davidson,  
A Line, R McMullan, K Murphy, \*B Beggs and Mr K Pandya

\*Substitute in accordance with Council Procedure Rule 31.

**In Attendance:** Councillors T Cowdrey  
A Barnes, R Harris, P Bates, J Chesterton, S Dutton, C Fozzard and  
G Gilbert  
Also in attendance: M Ramzan and M Marais (Deloitte)

**Start/End Time:** 6.30 pm - 8.00 pm

### **486 Apologies for Absence**

Apologies for absence were received from Councillor Cox (substitute: Cllr Beggs).

### **487 Declarations of Interest**

The following declaration of interest was made:

(a) Cllr Davidson – All minutes in so far as they relate to South Essex Homes – Non-Executive Director on South Essex Homes.

### **488 Minutes of the Meeting held on Wednesday, 20th July 2022**

Resolved:

That the Minutes of the Meeting held on Wednesday, 20 July 2022, be confirmed as a correct record and signed.

### **489 Annual Report on Comments, Complaints and Compliments 2021/22**

The Committee considered a report of the Executive Director (Strategy, Change and Governance) presenting the annual report on general comments, complaints and compliments received across the Council for 2021/22 and the findings of certain Local Government and Social Care Ombudsman investigations.

The Committee asked questions which were responded to by the Director of Legal Services. However, there were some detailed questions that could not be responded to and the Director undertook to liaise with the relevant Executive Directors to provide written responses to the Committee as soon as practicable.

Resolved:

That the Council's performance in respect of comments, complaints and compliments and Ombudsman investigations for 2021/22, be noted.

**490 Information Governance Update and Senior Information Risk Owner (SIRO) Annual Report 2021/22**

The Committee considered a report of the Executive Director (Strategy, Change and Governance) presenting a summary of the Council's key actions in regard to information governance and management during 2021/22 and the opportunities and challenges during 2022/23.

The Committee asked questions which were responded to by the Director of Legal Services. However, there were some detailed questions that could not be responded to and the Director undertook to provide written responses to the Committee as soon as practicable.

Resolved:

1. That the Senior Information Risk Owner (SIRO) report on Information Governance for 2021/22, be noted.
2. That the key actions taken during 2021/22, and the opportunities and challenges for 2022/23, be noted.

**491 CIPFA Financial Management Code Action Plan Progress Report**

The Committee considered a report of the Executive Director (Finance and Resources) presenting a six monthly update on the action plan that resulted from the Council's self-assessment undertaken in March 2022 against the expectations of CIPFA's Financial Management Code.

The Committee asked questions which were responded to by officers.

Resolved:

1. That the progress against the Financial Management Code action plan that was reported to the Audit Committee on 27 April 2022, be noted.
2. That it be noted that the next annual self-assessment of the Council's compliance status against CIPFA's Financial Management Code would be undertaken and reported to the Audit Committee in April 2023.

**492 Deloitte External Audit 2020/21 status update**

The Committee considered a report of the Executive Director (Finance and Resources) presenting an update on the status of the 2020/21 external audit of the Statement of Accounts and the updated planning intentions for the 2021/22 audit.

The Committee asked questions which were responded to by officers and the representatives from the external auditor.

Resolved:

That the submitted report be noted and that a further update on progress be provided to the January 2023 meeting of the Audit Committee.

**493 Deloitte: Report to the Audit Committee on the audit for the year ended 31 March 2021**

The Committee considered a report of the Executive Director (Finance and Resources) presenting a summary of the results of the work completed to date for the 2020/21 financial year with regard to the opinion on the Statement of Accounts and the commentary on the Council's Value for Money arrangements.

The Committee asked questions which were responded to by officers and the representatives of the external auditor.

Resolved:

That the submitted report on the audit for the year ended 31 March 2021, be accepted.

**494 Counter Fraud & Investigation Team Quarterly Performance Report**

The Committee considered a report of the Executive Director (Finance and Resources) setting out the progress made by the Counter Fraud and Investigation Team (CFIT) in delivering the Counter Fraud Strategy and work programme for 2022/23.

The Committee asked questions which were responded to by officers.

Resolved:

That the performance of the Counter Fraud and Investigation Team over the last three months, be noted.

**495 Internal Audit Service Quarterly Performance Report**

The Committee considered a report of the Executive Director (Finance and Resources) setting out progress made in delivering the Internal Audit Strategy for 2022/23.

The Committee asked questions which were responded to by officers.

Resolved:

That the progress made in delivering the 2022/23 Internal Audit Strategy, be noted.

**496 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:** \_\_\_\_\_

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# Southend-on-Sea City Council

Agenda  
Item No.

5

Report of Deputy Chief Executive and Executive Director  
(Finance and Resources)

to

**Audit Committee**

on

**11 January 2023**

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

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**Treasury Management Policy for 2023/24**

**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 2023/24 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 2023/24;**
- **Treasury Management Strategy for 2023/24;**
- **Annual Treasury Management Investment Strategy for 2023/24.**

## **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 2022, these documents for 2022/23 have been updated. At the June 2022 Cabinet meeting the limit on deposits with any one Property Fund was increased from £25m to £30m. This was to ensure the value of the investment did not exceed the approved limit following a period of very good fund performance.
- 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 2023/24 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 2023/24 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 2023/24 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 2023/24 financial year. The changes from the 2022/23 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 (most recently on 5 December 2022) and further training will be available in the future.



## **4. Corporate Implications**

### **3.12 Contribution to the Council's Vision and Critical Priorities**

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 vision and critical priorities.

### **3.13 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.

### **3.14 Legal Implications**

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

### **3.15 People Implications**

None

### **3.16 Property Implications**

None

### **3.17 Consultation**

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

### **3.18 Equalities and Diversity Implications**

None

### **3.19 Risk Assessment**

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

### **3.20 Value for Money**

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

3.21 Community Safety Implications

None

3.22 Environmental Impact

Subject to the Treasury Management Investment Objectives being satisfactorily met, consideration will be given to environmental factors for the funds and financial institutions being invested in.

**5. Background Papers**

3.23 None

**6. Appendices**

3.24 Appendix 1 – Treasury Management Policy Statement 2023/24

3.25 Appendix 2 – Treasury Management Strategy 2023/24

3.26 Appendix 3 – Annual Treasury Management Investment Strategy 2023/24

3.27 Appendix 4 – Changes from the revised 2022/23 Treasury Management Policy

## SOUTHEND-ON-SEA CITY COUNCIL

### TREASURY MANAGEMENT POLICY STATEMENT 2023/24

#### 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 revisions, the latest being the 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 and the Prudential Indicators appendix to the budget report have been updated to comply with the Code.
- 1.4 There is a requirement in the 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 agreed 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 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. For 2023/24 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 latest 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 revised 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 2023/24 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 2023/24 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 2023/24:

- 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 2022/23 and 2023/24:

	<b>2022/23 Original £m</b>	<b>2023/24 Original £m</b>
Operational boundary	385	390
Authorised limit	395	400

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 November 2020 the PWLB changed its lending criteria to 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 2023/24 will be via any type of loan from the Public Works Loan Board (which is a lending facility operated on behalf of HM Treasury and provides loans to local authorities and other specified 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 2023/24 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 approved 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 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.

Treasury Management Activity	Delegated to:	In their absence, delegated to:
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 – 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 – 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 – 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 – 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 – 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 – 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 – Treasury Management	Designated Accounting Technician/ Finance Manager

**SOUTHEND-ON-SEA CITY COUNCIL**  
**TREASURY MANAGEMENT STRATEGY 2023/24**

**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 £18.0m (expenditure of £25.4m and income of £7.4m) in 2023/24.

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

- 3.1 It is projected that surplus cash balances will average £115m (of which £55m is the estimated sum of medium and long term funds managed by external fund managers) during 2023/24 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 3.5%. Based on economic forecasts it is very difficult to predict the timing and extent of any change in interest rates, however it has been assumed that during 2023/24 the bank base rate will increase further before starting to gradually decrease. The average interest earned by the Council on its in-house lending is likely to be 3.37% 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 £573k in external interest earned and a difference of £1m in average balances would make a difference of £34k 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 new borrowing in 2023/24.
- 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 2023/24 in the second of the above scenarios. However, as the 2023/24 financial year progresses a combination of scenarios 1, 2 and 3 will be considered, as appropriate.

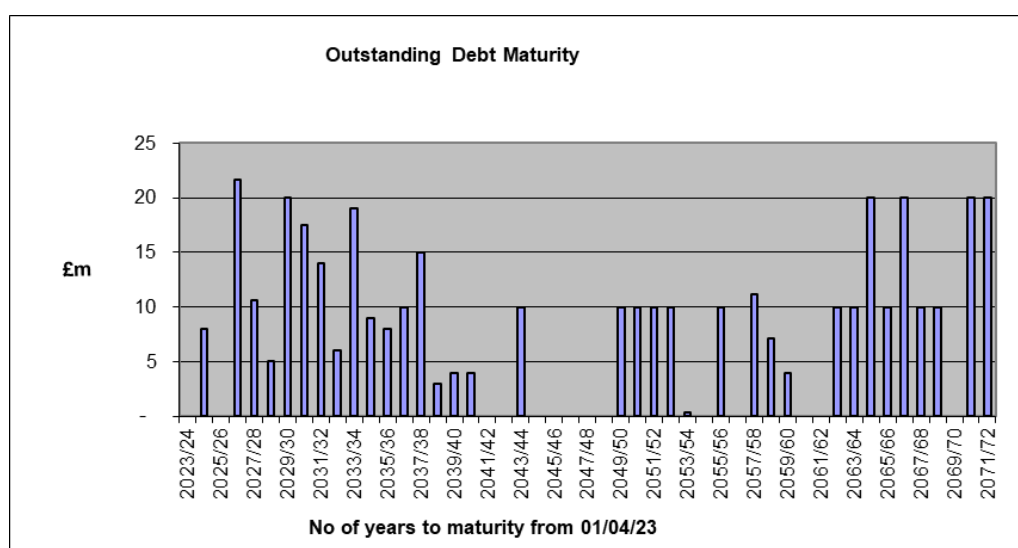
- 5.4 This authority will only borrow in advance of need where there is a clear justification for doing so and will only do so for the current capital investment programme or to finance future debt maturities.
- 5.5 So far in 2022/23 no new PWLB loans have been taken out.
- 5.6 The Council's current outstanding PWLB loans for both General Fund and Housing Revenue Account, which will need to be repaid, are set out on the next page:

Southend-on-Sea City Council		Main Schemes (£m)	Invest to Save Schemes (£m)	Total (£m)
Estimated opening position as at 31 March 2023	GF	273	0	273
	HRA	74	0	74
	<b>Total</b>			<b>347</b>
Estimated new loans in 2023/24	GF	0	0	0
	HRA	0	0	0
	<b>Total</b>			<b>0</b>
Repayments in 2023/24	GF	0	0	0
	HRA	0	0	0
	<b>Total</b>			<b>0</b>
Estimated closing position as at 31 March 2024	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 City Council reimburses the debt costs incurred by the County.

ECC transferred debt	Amount (£m)
Opening position as at 31 March 2023	9.2
New loans in 2023/24	0
Repayments in 2023/24	(0.4)
Closing position as at 31 March 2024	8.8

5.8 The graph below 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 23 December 2022 rates of borrowing (from the PWLB) range from 4.37% for a 1 year loan through to 4.81% for a 25 year loan down to 4.44% for a 50 year loan (these rates include the certainty rate discount of 0.2%). During 2023/24 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 2023/24, 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 CITY COUNCIL

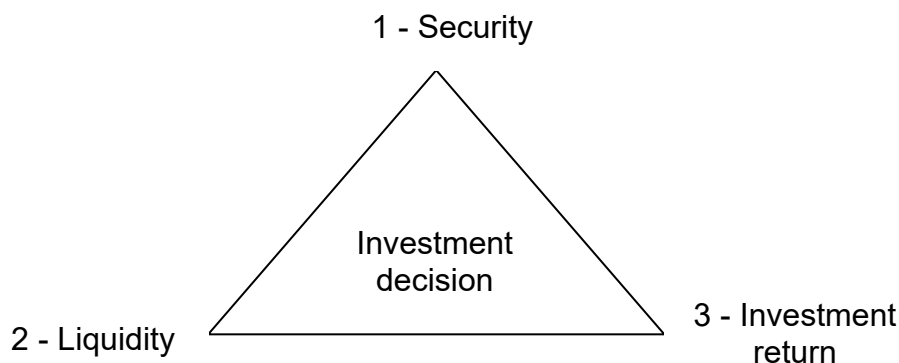
### ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2023/24

#### 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 mainstream 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 2023/24 (£m)</b>
Property Fund	Lothbury Investment Management Limited	13.5
Property Fund	Patrizia Property Investment Managers LLP	21.5
Short Dated Bond Fund	AXA Investment Managers UK Limited	7.3
Short Dated Bond Fund	Royal London Asset Management	7.3
Enhanced Cash Fund	Payden & Rygel Global Limited	5.0
<b>Total</b>		<b>54.6</b>

- 3.2 Withdrawals may be made during 2023/24 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 2023/24 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 2023/24 to enable investment of monies.
- 3.4 During 2023/24, 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 2023/24, 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 2023/24 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 2023/24 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 2023/24 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 2023/24 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 2023/24 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 23 December 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
National Bank of Canada	A+ A Aa3	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)
  - Goldman Sachs International Bank
  - 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)
  - Standard Chartered Bank
- 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 17% of the authority's estimated amount of investments for 2023/24 of £115m. £5m is 4% 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 35% of the authority's estimated amount of investments for 2023/24 of £115m. 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 generally 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 £30 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	AAAm/AAAf 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	AAAf/S1 rated#	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 'AAAm/AAAf' (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.

# A fund with a credit quality rating of 'AAAf' 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 CITY COUNCIL

## CHANGES FROM THE 2022/23 TREASURY MANAGEMENT POLICY

Appendix	Paragraph	Change	Reason for the change
1	1.3	Sentence updated regarding the 2021 updates to the CIPFA Code of Practice for Treasury Management and the resulting revised reporting requirement in 2023/24.	To reflect the recently updated Code of Practice.
1 37	Annex 1	References to Finance Manager (Capital/Treasury Management) replaced with Finance Manager (Treasury Management).	To reflect changes in duties across the Finance Managers in the team.
3	7.3	The limit on deposits with any one Property Fund increased from £25 million to £30 million to reflect the change to the approved 2022/23 Annual Investment Strategy at June 2022 Cabinet.	To reflect revised 2022/23 strategy

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# Southend-on-Sea City Council

Agenda  
Item No.

6

Report of the Deputy Chief Executive and Executive  
Director (Finance and Resources)

To

**Audit Committee**

On

**11 January 2023**

Report prepared by: Andrew Barnes (Head of Internal Audit  
and Counter Fraud)

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## Homes England Compliance Audit report 2022/23

### *A Part 1 Public Agenda Item*

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

- 1.1 To present the findings from the Homes England Compliance Audit work for 2022/23 to the Audit Committee.

#### **2. Recommendation**

- 2.1 The Audit Committee notes the findings from the Homes England Compliance Audit work for 2022/23.**

#### **3. Background**

- 3.1 The Compliance Audit programme provides assurance to Homes England that organisations receiving grant (providers) have met all of Homes England's requirements, funding conditions, and have properly exercised their responsibilities. Homes England have produced standardised assurance procedures and the Council is required to appoint its own reporting accountants to undertake that work. Southend have appointed Marstan BDB to undertake that work.
- 3.2 Compliance Audits check provider compliance with Homes England's policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches'. Breaches are used as the basis for recommendations and final grades for providers.
- 3.3 As confirmed by the report from Homes England at Appendix 1, one low level breach was identified by the work and the Council has been graded as 'Green – Meets requirements' by Homes England.

## **4. Corporate Implications**

### 4.1 Contribution to the Corporate Plan and Southend 2050 Road Map

Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Southend 2050 outcomes.

### 4.2 Financial Implications

The Council receives significant funding from external funders, and giving them the assurance they require that their funds have been used in accordance with their expectations gives confidence in the Council's use of their funding provided and to be provided in the future.

### 4.3 Legal Implications

The Council is required to provide independent assurance from a reporting accountant to Homes England utilising their assurance procedures. By considering this report, the Committee can satisfy itself that this requirement is being discharged.

### 4.4 People Implications

None.

### 4.5 Property Implications

None.

### 4.6 Consultation

None.

### 4.7 Equalities and Diversity Implications

None.

### 4.8 Risk Assessment

The Council receives significant funding streams that require reporting accountants to provide assurance that the funding has been used in accordance with the funders' expectations. This funding would be at risk if the reporting accountants were not able to provide that assurance.

### 4.9 Value for Money

None.

### 4.10 Community Safety Implications

None.

### 4.11 Environmental Impact

None.

## **5. Background Papers**

Homes England: Compliance Audit Overview

## **6. Appendix 1: Homes England Compliance Audit Report 2022/23**



# Compliance Audit Report – 2022/23

## 00KF – Southend on Sea Borough Council

<b>Final Grade</b>	Green - Meets requirements
<b>Independent Auditor Organisation</b>	Marstan BDB LLP
<b>Independent Auditor Name</b>	Ray Burch

### Report Purpose and Objectives

The purpose of the Compliance Audit report is to confirm that grant recipients have met Homes England's funding conditions and contractual requirements and have properly exercised their responsibilities as set out in the Capital Funding Guide.

We use the audit findings (which are confidential between Homes England and the grant recipient) to inform our future investment decisions and to reassure the Homes England Chief Accounting Officer that public funds have been properly used.

Where findings have been determined as breaches they are then used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided at the end of this report. Where applicable the Provider is to use the recommendations to prevent similar breaches from reoccurring in the future and to aid good governance for complying with Homes England's policies, procedures and funding conditions.

Information about the audit process and guidance is available at:  
<https://www.gov.uk/guidance/compliance-audit>

### Compliance Audit Grade and Judgement Summary

<b>Final Grade</b>	Green - Meets requirements
<b>Judgement Summary</b>	On review of the evidence provided, the outcome of the audit has shown the provider has a satisfactory overall performance. A GREEN grade has been assigned. The audit has identified one low level breach with no risk of misapplication of public funds. The reoccurrence of breaches of a similar nature in future years may result in a failure to meet requirements.



## Scheme/Completions details

Scheme ID/ Completion ID	Address/Site ID	Scheme type
1025008	87A Westbourne Grove Westbourne Grove,SS0 9TT	Next Steps Accommodation - Capital

## Audit Results

Number of Schemes/Completions Audited	1
Number of Breaches Assigned	1
Number of High Severity Breaches	0
Number of Medium Severity Breaches	0
Number of Low Severity Breaches	1

## Details of Breaches by Scheme/Completion

Where there are breaches identified, remedial action must be taken in accordance with recommendations listed in the Compliance Audit Module to mitigate the potential for re-occurrence.

### Breach 1

Scheme/Completion ID	1025008
Address/Site ID	87A Westbourne Grove Westbourne Grove,SS0 9TT
Breach severity	Low
Breach description	Incorrect IMS data has been entered but there are no value for money implications. Examples might include typographical errors, or a failure to update the system with revised information
Breach comment	The scheme/site data held on the scheme file does not match the data entered and approved in IMS. There are no value for money implications. The rent figure recorded in IMS is 3% higher than the actual rent charges. Data should be kept up to date and accurate at all stages of the development.
Recommendation	The Provider should review their processes and add the necessary steps to



	prevent similar issues reoccurring in the future. Please ensure the revised process meets the Capital Funding Guide requirements and funding conditions.
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## Provider's Acknowledgement of Report

The contents of this report including all recommendations must be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement must be recorded in the IMS Compliance Audit System by your Compliance Audit Lead no later **than three calendar months** of the report email notification being sent.

Report acknowledged by:

Date:

## Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.

## Compliance Audit Grade Definitions

<b>Green Grade</b>	No high or medium severity breaches identified, although there may be low breaches identified. The Homes England audit report shows that the provider has a satisfactory overall performance but may identify areas where minor improvements are required.
<b>Amber Grade</b>	One or more medium severity breaches identified. The Homes England audit report will show that the provider has failed to meet some requirements but has not misapplied public money. The provider will be expected to correct identified problem(s) in future schemes and current developments.
<b>Red Grade</b>	One or more high level severity breaches identified, the Homes England audit report shows that the provider has failed to meet some requirements and there has been a risk of misapplication of public funds.

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# Southend-on-Sea City Council

Report of the Deputy Chief and Executive Director  
(Finance & Resources)

To

**Audit Committee**

On

**11 January 2023**

Agenda  
Item No.

**7**

Report prepared by: Andrew Barnes, Head of Internal Audit

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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 2022/23.

## **2. Recommendations**

- 2.1 **The Audit Committee notes the progress made in delivering the 2022/23 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 16 December.
- 3.2 **Appendices 2** set out the results of the work completed since the last progress report to the Audit Committee in November.
- 3.3 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 2022/23 that was initially prepared for the Committee meeting that took place in April 2022. There have been no changes to the audit plan since last reported in November.
- 3.4 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:
- Response to the LGA Corporate Peer Challenge
  - Supporting the HR service develop the compliance arrangements for the new recruitment contract which is due to go-live in Q1 of 2023
  - Development of new Service Plan templates that are due to go live from April 2023

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

- 4.1 As outlined in the Strategy presented to the April 2022 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 16 December 2022, for the period 1st April 2022 – 16th December the team had 12 days sickness. 10 days of this absence relates to one member of staff who was unwell with Covid-19.
- 4.3 In terms of the 45 jobs now included in the audit plan:
- 30% of audits are complete with finalised reports issued
  - 9% of audits are complete with draft reports issued
  - 9% of audits are completed with draft reports being produced
  - 26% of audits are in progress
  - 13% of audits have terms of reference being developed and agreed
  - 4% of audits are being planned
  - 9% of audits are resourced, but yet to be started.
- 4.4 Stakeholder surveys have now re-commenced and will be completed throughout the year as audits are finalised. No further surveys have been completed since those reported in November 2022.
- 4.5 Since the last report to the Audit Committee in November 2022 there has been one change to the current staffing of the team with the Audit Manager beginning her period of maternity leave.
- 4.6 A recruitment exercise has been successful in recruiting a new Auditor to the team who is due to take up their post in February.
- 4.7 A recruitment exercise to replace the Audit Manager that retired in July 2022 after more than 30 years working within the Audit team at Southend, continues after a candidate withdrew after having agreed to accept the post.
- 4.8 Including the vacant Audit Manager post, the team currently has seven vacancies. 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

#### **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 Corporate Plan and Southend 2050 Road Map
- Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Corporate Plan and 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 Executive and Executive Directors before being reported to the Audit Committee.

All terms of reference and draft reports are discussed with the relevant Managers, Directors, Executive 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 Corporate Plan and to contribute towards 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 suppliers 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 2022/23 progress status

Appendix 2 Audit Assurance and Themes – Other audits and Grant Claims

Appendix 2a Audit Assurance and Themes – Partial assurance

## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
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### Managing the Business

F&R	<p><b>Risk Management</b></p> <p>To support the council to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes.</p> <p>This will extend the discovery phase piece of work undertaken in 2021/22 to further support the council in developing its risk management framework with the aim of adopting a common approach across the council.</p>	No	<p><b>Planning underway, terms of reference being developed</b></p>
SC&G	<p><b>Technology Modernisation Programme Assurance (2021/22)</b></p> <p>To assess the robustness of the arrangements to deliver the programme of works required to achieve the Council's target technology operating model.</p>	No	<p>Completed November 2022</p>

### ***Implementing Action Plans***

*None planned*

### Managing Service Delivery Risks

#### Pride and Joy

By 2050 Southenders are fiercely proud of and go out of their way to champion what our city has to offer.

N&E	<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	<p>Work in progress</p>
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## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
<b>Implementing Action Plans</b>			
N&E	<p><b>Energy Projects Status Assurance (2021/22)</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	Draft report being discussed with the service
N&E	<p><b>Highways Capitalised Maintenance Programme</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	Planned for Q4
<p><b>Safe and Well</b></p> <p>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	<p><b>Alternative School Provision (2021/22)</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	Draft report being discussed with the service
F&R	<p><b>Contain Outbreak Management Funding (No. 31/5456)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with for the spend up to end of 2021/22 (further work due 2023/24 for grant use during 2022/23).</p>	Yes	Completed September 2022
G&H	<p><b>Protect and Vaccinate Grant (No. 31/5912)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed July 2022

## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
A&C	<p><b>Disabled Facilities Grant (No. 31/5515)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	<b>Completed November 2022</b>
C&PH	<p><b>Supporting Families Programme</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p> <p><i>Planned throughout the year to align with the Payment by Results claim windows set by Department for Levelling Up, Housing &amp; Communities.</i></p>	Yes	<p>April – September claims completed September 2022</p> <p><b>October – December claims completed December 2022</b></p>
F&R	<p><b>Test and Trace Support Payment Scheme (No. 31/5385)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed June 2022
C&PH	<p><b>Universal Drug Treatment Grant 2021-22 (No. 31/5494)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>		Completed November 2022
G&H	<p><b>Rough Sleepers</b></p> <p>To assess the robustness of arrangements to ensure effective support is given to vulnerable people to achieve the outcomes within the Housing, Homelessness and Rough Sleeping Strategy, while achieving value for money.</p>	Yes	Planned for Q4
C&PH	<p><b>Independent Reviewing Officers</b></p> <p>To assess the effectiveness of Independent Reviewing Officers (IROs) in ensuring children's needs are met and their outcomes improved through the support and services that they receive.</p>	No	<b>Terms of reference being agreed with the service</b>

## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
C&PH A&C	<b>Care Platform Change Management</b> To assess the robustness of arrangements to identify, prioritise, and monitor delivery of change requests which ensure that resources are directed to deliver on the council's key priorities and outcomes for delivering adult and children's services.	Yes	Work in progress
C&PH	<b>Children not attending Education</b> To assess the robustness of arrangements which ensure children not attending school are known and their welfare is monitored to keep them safe and that they realise their potential.	No	Planned for Q4
A&C C&PH	<b>Direct Payments</b> To assess the robustness of arrangements for ensuring payments made to clients with an assessed need for support are valid and delivering the required outcomes for vulnerable citizens.	Yes	Work in progress
<b><i>Implementing Action Plans</i></b>			
A&C	<b>Adult Social Care Recovery Programme</b> To check that actions agreed have been effectively implemented and embedded into the day-to-day management of the recovery programme.	No	Completed August 2022
<b>Active and Involved</b> By 2050 we have a thriving, active and involved community that feel invested in our city			
N/A	<b>No work planned</b>	N/A	
<b><i>Implementing Action Plans</i></b>			
<i>None planned</i>			
<b>Opportunity and Prosperity</b> By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people			

## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
G&H	<p><b>Better Queensway Workstreams (2021/22)</b></p> <p>To assess the robustness of agreed delivery plans and monitoring arrangements to deliver the Council's obligations under the Partnership Agreement for the Housing, Highways and Finance workstreams.</p> <p>(Scope of the work extended to include the Finance workstream)</p>	Yes	Completed July 2022
F&R	<p><b>Corporate Asset Management</b></p> <p>To assess the adequacy of arrangements in place to ensure assets continue to deliver value and meet stakeholder needs, while supporting organisational objectives.</p>	Yes	<b>Terms of reference agreed</b>
A&C	<p><b>Community Investment Grant</b></p> <p>To assess the robustness of arrangements that ensure grant monies passed to the community are being properly accounted for and delivering outcomes for the citizens of Southend.</p>	Yes	<b>Draft report being produced</b>
G&H	<p><b>Housing Allocations</b></p> <p>To assess the robustness of the arrangements that ensure available housing is allocated appropriately, in accordance with council policies.</p>	Yes	<b>Work in progress</b>
<b>Implementing Action Plans</b>			
N&E	<p><b>Southend Travel Partnership Joint Venture Company</b></p> <p>To check that actions agreed from the two pieces of audit work during 2021/22 have been effectively implemented and embedded into the day-to-day operation of the service.</p> <p><i>(Also linked to safe and well 2050 outcome)</i></p>	Yes	<b>Work in progress</b>

**Connected and Smart**

**By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure**

## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
N&E	<p><b>Local Transport Capital Block Funding (No. 31/5505)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grants have been complied with.</p>	Yes	Completed October 2022
N&E	<p><b>Local Transport Capital Block Funding – Pothole Fund (No. 31/5506)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grants have been complied with</p>	Yes	Completed October 2022
F&R	<p><b>My Southend</b></p> <p>To assess the robustness of the project governance arrangements to deliver the benefits to citizens, businesses, tourists, councillors and the council, required from the new platform.</p>	No	<p>Work in progress</p> <p>Feedback provided directly to the service area and a memo is being drafted on the project's business case</p>
<b><i>Implementing Action Plans</i></b>			
<i>None planned</i>			
<b>All Outcomes</b>			
SC&G	<p><b>Cyber Threat (2021/22)</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	<b>Draft report being discussed with the business</b>
SC&G	<p><b>ICT Strategy (2021/22)</b></p> <p>To assess the robustness of the governance arrangements which ensure the technology elements of the Council's various service strategies properly inform the ICT strategy; that the ICT Strategy is delivered and that it supports and enables the achievement of the Council's strategic goals.</p>	No	<b>Completed December 2022</b>



## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
SC&G	<p><b>Letting of Recruitment Contract</b></p> <p>To assess the robustness of the arrangements for reletting the council's contract for recruiting agency and permanent employees.</p>	Yes	<p>Phase 1 Award of Contract Complete July 2022</p> <p>Resource for Phase 2 Contract negotiations being determined</p>
F&R	<p><b>Clearing House Automated Payments System (CHAPS) payments</b></p> <p>To assess the robustness of arrangements that ensure valid and accurate and payments are made using the CHAPS facility.</p>	Yes	<b>Work in progress</b>
F&R	<p><b>Procurement Cards</b></p> <p>To assess the robustness of processes for ensuring staff purchases made using procurement cards is transparent and valid.</p>	Yes	<b>Draft report being produced</b>
SC&G	<p><b>Staff Pay</b></p> <p>To assess the robustness of processes for ensuring accurate and valid payments are made to staff when these are outside of standard salary payments.</p>	Yes	<p><b>Terms of reference being agreed with the business</b></p> <p><b>Fieldwork commencing w/b 9<sup>th</sup> January</b></p>
<b><i>Implementing Action Plans</i></b>			
SC&G	<p><b>Business World Enterprise Resource Planning Programme of Work</b></p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day management of the Programme.</p>	No	<b>Work in progress</b>
<b>Key Financial Systems - All Outcomes</b>			
F&R	<p><b>Accounts Payable</b></p> <p>To assess the robustness of processes for ensuring accurate, transparent, and valid payments are made to suppliers and individuals.</p>	Yes	<b>Draft report being produced</b>
<b><i>Implementing Action Plans</i></b>			

## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
<i>None planned</i>			
<b>Advice and Support</b>			
<b>All Outcomes and Future Ways of Working</b>			
F&R	<p><b>Financial Sustainability (including Getting to Know your Business Initiatives)</b></p> <p>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 stable and resilient for the future.</p>	No	Planning underway
SC&G	<p><b>Device Return and Issue</b></p> <p>To provide support and challenge to the team assessing arrangements to improve processes for issuing and returning IT equipment to new starters and leavers.</p>	Yes	Work in progress, with input provided as the group improves the process for the return of equipment
SC&G	<p><b>Corporate Plan</b></p> <p>To provide support and challenge to the team developing the council's Corporate Plan which will identify the priorities for the delivery of outcomes for 2022-23 to 2025-26.</p>	No	Comments and feedback provided through the development of the Corporate Plan and the work on the changes sought for the governance arrangements that will underpin the delivery of the Plan.
SC&G	<p><b>Business World Enterprise Resource Planning Phase 2</b></p> <p>To provide support and challenge to the project team as the risks and control environment for the planned Corporate Establishment and other required improvements are considered and / or developed.</p>	Yes	<p><b>Work in progress</b></p> <p><b>Discussions underway with the ERP Project Team as work continues to refine the project deliverables as part of the business case development.</b></p>
SC&G	<p><b>Recruitment Management System</b></p> <p>To provide support and challenge to the service as options for a replacement Recruitment Management System are explored and developed alongside the Council's recruitment provider.</p>	56	<p>Work in progress</p> <p>Feedback has been provided during workshops to date focused on:</p> <ul style="list-style-type: none"> <li>• Recruitment and technical requirements</li> <li>• Invoicing and finance</li> </ul>

## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
<b>Implementing Action Plans</b>			
G&H	<p><b>Better Queensway Highway Scheme (2021/22)</b></p> <p>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.</p>	No	Draft memo being discussed with the business
<p><b>Pride and Joy</b></p> <p>By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer.</p>			
N&E	<p><b>Climate Project Management</b></p> <p>Provide advice, support and challenge over the project management framework in place to deliver projects within the climate agenda on time and within budget.</p>		Planned for Q4
N&E	<p><b>Letting of new Waste Collection Contract</b></p> <p>To provide support and challenge to the project team to ensure robust project management and procurement processes are applied and value for money is obtained for city residents.</p>	Yes	<b>Terms of reference agreed</b>
<p><b>Safe and Well</b></p> <p>By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives</p>			
A&C	<p><b>Adult Care Quality Assurance Framework (QAF)</b></p> <p>Ongoing 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	Framework reviewed and feedback provided in August 2022

## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
C&PH	<p><b>Supporting Families Programme</b></p> <p>To provide support and challenge to the service as the council's current Outcomes Framework is revised to align with the Department for Levelling Up, Housing and Communities (DLUHC) updated national outcomes framework and programme guidance.</p>	Yes	Work in progress
G&H	<p><b>Homes for Ukraine</b></p> <p>To provide support and challenge to the service as processes are developed to respond to the council's responsibilities for providing support payments and oversight of accommodation to citizens fleeing Ukraine.</p>	Yes	<p>Completed</p> <p>Support and challenge given as service area were developing the cash distribution arrangements.</p> <p>Improvements to the proposed processes and controls included recommendations/identification of:</p> <ul style="list-style-type: none"> <li>• areas of potential fraud,</li> <li>• security around receipt and paying out of cash</li> <li>• maintenance of accounting records to record the transactions; and</li> <li>• protecting staff responsible for handling cash in terms of two staff being present when cash was being handled.</li> </ul>
<p><b>Active and Involved</b></p> <p>By 2050 we have a thriving, active and involved community that feel invested in our city</p>			
<p><b>No work planned</b></p>			
<p><b>Opportunity and Prosperity</b></p> <p>By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people</p>			
G&H	<p><b>HRA Business Plan</b></p> <p>Provide advice, support and challenge to the project team as the HRA Business Plan is developed to help ensure it is robust and underpinned by a sound supporting evidence base, while reflecting necessary legislative requirements and Council priorities.</p>	No	<b>Terms of reference being developed</b>

## Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 16 December 2022
<p style="text-align: center;"><b>Connected and Smart</b></p> <p style="text-align: center;">By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure</p>			
<p><b><i>No work planned</i></b></p>			

## Appendix 1: Internal Audit Plan 2022/23

### 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.

<b>Audit Activities</b>	<b>Resource allocation</b>
Managing the Business	6%
Managing Service Delivery Risks	57%
Key Financial Systems	3%
Grant Claims	8%
Advice and Support	15%
Follow Ups	6%
Managing Delivery of the Audit Plan	6%
<b>Total</b>	<b>100%</b>
<b>Total Council Audit Plan Days</b>	<b>620</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 2022/23

<b>Analysis Over Executive Director Responsibilities</b>		
All	Cross Cutting	0%
F&R	Finance & Resources	20%
SC&G	Strategy, Change and Governance	19%
G&H	Growth & Housing	14%
N&E	Neighbourhoods & Environment	22%
C&PH	Children & Public Health	16%
A&C	Adults & Communities	9%
	<b>Total</b>	<b>100%</b>

<b>Analysis over the Southend 2050 Themes</b>	
Pride & Joy	14%
Active & Involved	0%
Safe & Well	28%
Opportunity & Prosperity	17%
Connected & Smart	5%
All	35%
<b>Total</b>	<b>100%</b>

## Appendix 1: Internal Audit Plan 2022/23

### Risk Watch List

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

A&C	<b>NEW: Sexual Health Service – From 2021/22 Audit Plan as Audit Resource re-allocated</b>
A&C	Mental Health Service Provision (review of current arrangements including Section 75 agreement with EPUT scoped by service)
C&PH	<b>NEW: Implementation of SEND Action Plan from peer review</b>
F&R	<b>NEW: Critical Contracts Exit strategies - From 2021/22 Audit Plan as Audit Resource re-allocated</b>
F&R	Business Rates Collection
F&R	Asset Management – arrangements for letting and monitoring commercial leases for council property
F&R	School Audits – assess assurance available from council teams that the role of the schools Finance team to determine the assurance their function may give overall
G&H	Empty Homes Strategy 2021 – 2026 (Cabinet Report January 2021)
<b>New areas of risk to keep watching brief</b>	
All	<b>NEW: Environmental, Social &amp; Governance (ESG) agenda (linked to Green City Action Plan piece of work in Audit Plan above above)</b>
All	Association of South Essex Local Authorities (ASELA)
All	<b>NEW: Social Media</b>
A&C	Adult Social Care Strategies 2022/27: Living Well, Ageing Well and Caring Well
A&C	Integrated Care System (April 2022)
A&C	Southend Care Ltd Partnership Agreement 2022-2031
A&C	<b>NEW: Hospital Discharge</b>
A&C	Anti-Poverty Strategy ( <b>Final Strategy proposed for February 2023</b> )
C&P	Remodelling of Children’s Centres (in house service from 1st October 2021)
F&R	Social Value - Implementation of Strategy / Policy
F&R	<b>NEW: Corporate Procurement Strategy 2022- 2027</b>
N/A	Domestic Abuse Act 2021 Implementation Strategy
N&E	Selective Licensing



## Appendix 1: Internal Audit Plan 2022/23

N&E	New Highway Enforcement Policies
G&H	Building Safety Bill
SC&G	<b>NEW: ICT Project Management Office</b>

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## **Appendix 2d: Other Audits and Grant Claims**

### **Supporting Families Programme - October to December 2022**

#### **Objective**

To assess compliance with the terms and conditions of the Department for Levelling Up, Housing and Communities (DLUHC) Programme Guidance for making Payment by Result (PBR) claims for the year April 2022 to March 2023 in respect of the 2021-22 Supporting Families Programme (2021-22 Programme Guidance remains valid until December 2022 when replaced by the new Outcomes Framework and Programme Guidance).

#### **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 199 families assisted by March 2023 under this Programme.

Internal Audit are required to review a minimum of 10% of claims to ensure there is suitable evidence to support the payment by results claim.

#### **Summary and Conclusion of work**

Between October and December 2022, 50 PBR claims were presented to audit, prior to submission to the DLUHC.

Internal Audit reviewed a sample of five cases which covered a representative sample of the claims outlined above. For all claims suitable evidence was available to support a PBR claim for:

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

## **Appendix 2d: Other Audits and Grant Claims**

### **Disabled Facilities Grant**

#### **Purpose of Funding**

To support those in non-council properties with required adaptations to their homes based on their medical needs. Types of works undertaken include installations of:

- level access showers
- ramped access to properties
- stair lifts or through-floor lifts.

#### **Themes**

Work undertaken confirmed that grant spend complied with the terms and conditions of the grant.

During the audit, opportunities were identified to strengthen DFG processes. These have been fed back to the service and are being addressed.

#### **Opinion: Unqualified**

## Appendix 2a: Audit Assurances and Themes

### Assurance



### ICT Strategy

#### Objectives

To assess the robustness of the governance arrangements which ensure the technology elements of the Southend on Sea City Council's (Council's) various service strategies properly inform the Information and Communications Technology (ICT) strategy; that the ICT Strategy is delivered and that it supports and enables the achievement of the Council's strategic goals.

#### Summary

The ICT department underwent a full restructure in 2019, resulting in a significant change in personnel. The ICT department inherited legacy infrastructure and service contracts, that had historically resulted in the Council not having a fit for purpose technology environment. Since then there have been gradual improvements to bring about the desired technology environment by standardising the infrastructure to adapt to future digital requirements. Some of the efficiencies have been brought about through procurement and contract negotiation, and through engaging more with the services in the Council.

During these improvement initiatives, ICT continued to operate as a support function responding to the Council's needs. Senior leadership recognise ICT's responsiveness to ensure staff were able to work remotely, by ensuring the right equipment and network connectivity were in place, enabling the Council's services to continue as normal during the Covid-19 pandemic with minimum disruption.

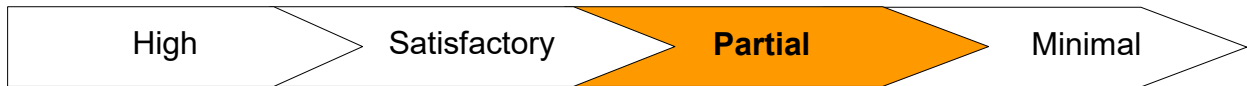
With the combination of managing these challenges and stabilising the IT infrastructure and processes, ICT produced a formalised Digital Strategy in 2022, which aligns to the Corporate Plan. However, the strategy does not outline clearly the Council's IT requirements and understand how ICT will be an enabler to fulfil the Council's corporate priorities.

Alongside this, the ICT team has continued to experience challenges caused by service areas engaging late with ICT on the development of new solutions, which impacts the planning, identifying an appropriate solution and prioritising resources to support projects that require IT input and support. This has resulted in ICT not being able to resource some projects sufficiently, and equally not being able to bed in the right underlying IT architecture and solutions, that may be applied holistically to the Council's IT needs, which could be scalable and efficiently supported.

To manage this challenge, ICT has introduced the 'Entrance Hall' process to capture the current and proposed project requirements, and enable prioritisation and management of resource requirements accordingly. This has been a key initiative, to curb the reactive approach to IT projects. However this is not a long-term sustainable solution as it will not allow ICT to plan and drive solutions holistically and be the architect of the infrastructure to benefit the Council's overall future digital requirements.

## Appendix 2a: Audit Assurances and Themes

### Assurance



Changing the approach to be more proactive and focused on collaboration with service areas will encourage a greater level of challenge around the thinking on and architecting solution sets, which will enable IT solutions to be better future proofed (for scalability and compatibility), more cost effective and support the management of vendors where applicable.

A clear governance structure needs to be created, with senior management setting the tone and direction on the prioritisation of the Council's IT projects, to fulfil the long-term strategic requirements of the Council and services. Forming a governance forum will be key to understand the Council's digital priorities, which will in turn set the tone for prioritising and sequencing of projects. With such a forum in place it will help ICT to get the support at a corporate level to determine which projects, should go ahead and provide a better overview of risks that may impact ICT priorities and other corporate risks. Officers are working to address this through the introduction of a Digital Group, providing oversight and linkages with the Smart Council technology development programme, as part of the Council's current wider review of governance arrangements. Draft Terms of Reference for this group were prepared in November.

Clear, early and ongoing collaboration is also required between the service areas and the ICT team. Removing this barrier will help to ensure that the services consider IT in their forward planning / decision making, and are also aware of possible solutions that IT can provide. Improvements have been suggested to the Performance Management Framework (PMF) to aid this collaboration.

Number of actions agreed: 3

# Southend-on-Sea City Council

Report of the Deputy Chief Executive and Executive  
Director (Finance & Resources)

to

**Audit Committee**

on

**11 January 2023**

Report prepared by Shaun Dutton, Counter Fraud &  
Investigations Manager

Agenda  
Item No.

**8**

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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 2022/23.

#### **2. Recommendation**

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Team since the last report to the Committee in November.

#### **3. Introduction**

- 3.1 As the previous Audit Committee report covered a longer period due to the postponement of the meeting to November, this report covers a shorter period<sup>1</sup> and the results and achievement of the team should be considered in this light.
- 3.2 Proactive operational exercises are difficult in the winter months due to the shorter daylight hours and adverse weather. Also, residents are noticeably less cooperative during this time. It is for these reasons that CFIT's Work Plan (Appendix 1) avoids such activities at this time of year. This also provides the team with some space to address the investigations we are actively pursuing and work to reduce our backlog of cases.
- 3.3 Highlights for this period include:
- A 'Views on Sea' online blog to all staff discussing the work of the Counter Fraud & Investigation Team and highlighting employees' responsibilities to make Declarations of Interest.

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<sup>1</sup> 07/11/2022 to 19/12/2022

- Discussions have commenced with the DWP to consider a joint working agreement. Draft documents have been provided by the DWP and these are currently being considered by Data Protection and Legal Services.
- A script to form the foundation of an Anti-Money Laundering Course has been developed and we are now working with Learning and Development to produce an online learning package for all staff.
- Our Apprentice Counter Fraud Investigator is now independently assessing referrals to the team. This is freeing up investigatory resource to concentrate on our caseload.
- Two successful prosecutions for fraud and Blue Badge offences.

#### 4. The threat from fraud

- 4.1 Fraud has grown rapidly in recent years and now accounts for 39% of all crime in England and Wales. Estimates by the National Crime Survey show that there were 4.6 million fraud offences committed in the year ending March 2021. This is equal to the total theft and violent crime offences combined<sup>2</sup>.

However, the police have only 2% of their resources dedicated to fraud investigation, despite it making up more than 40% of all crime<sup>3</sup>. A 2019 inspection of the police's response to fraud found that these offences are generally not considered to be a priority<sup>4</sup>.

Although the national response to the threat from fraud is improving, the scale of the threat is beyond the resources of our law enforcement agencies to tackle it alone. A significant focus of this response is focused on enabling businesses, individuals, and local authorities to protect themselves.

- 4.2 An indication of the increasing threat to the Council is demonstrated by a 2013 estimate<sup>5</sup> suggesting that fraud may be costing UK local authorities £2.1bn a year. This compares to a 2017 estimate<sup>6</sup> that the total annual loss to local authorities from fraud may be as high as £7.8bn.

This is a rise of £1.4bn a year: although the increase is likely to be exponential, using this figure extrapolates to **£14.8bn** in UK local authority loss from fraud in 2022.

- 4.3 The national fraud guidance for local authorities<sup>7</sup> is placing an increased emphasis on proactive fraud prevention initiatives and our current Work Plan has been guided by this.

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<sup>2</sup> Victims Commissioner, 2021

<sup>3</sup> House of Commons Justice Committee, 2022

<sup>4</sup> Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, 2019

<sup>5</sup> National Fraud Office 2013

<sup>6</sup> Centre for Counter Fraud Studies, University of Portsmouth, 2017

<sup>7</sup> *Fighting Fraud and Corruption Locally: A strategy for the 2020s*, Local Government Association, 2020



## 5. Investigations

5.1 Since 1 April 2022, CFIT have dealt with, or are investigating, 350 cases (95 of these cases started prior to that date).

5.2 Since the last report to the Committee<sup>8</sup>, we have received 37 new cases.

5.3 Of the total 350 investigations:

- 253 have been concluded.
- 97 investigations are active:
  - 61 are currently being investigated.
  - 6 are with Legal Services for prosecution.
  - 30 are waiting assignment to an investigator.

5.4 A breakdown of these investigations can be found at **Appendix 2**.

5.5 Our current prosecutions relate to:

- 2 offences concerning procurement fraud
- 2 offences relating to Business Rates Small Business Rates Relief fraud
- 1 offence relating to grant fraud (non-covid)
- 1 offence relating to Blue Badge fraud.

5.6 Results this period<sup>9</sup> include:

- A successful prosecution for one theft and three fraud offences relating to the use of a Blue Badge resulting in a conditional discharge for two years and the defendant having to pay £200 costs and a £22 victim surcharge.
- A successful prosecution for the unlawful use of a Blue Badge resulting in a £100 fine and the defendant having to pay £200 costs and a £34 victim surcharge.
- £7,041 in Small Business Rates Relief recovered.
- £4,047 in excess Council Tax reduction recovered and a £1,000 administrative penalty imposed.
- 3 individuals issued warnings over Blue Badge misuse and one misused badge seized, saving the Council £575.
- 35 Data Protection Act requests for information from outside agencies were responded to, 5 Council tenants were assessed due to excess credit on their rent account, and 3 Right to Buy applications were assessed.

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<sup>8</sup> The figures for that report were compiled on 07/11/2022.

<sup>9</sup> 07/11/2022 to 19/12/2022

## **6. Fraud prevention**

6.1 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.

6.2 The Fighting Fraud in Local Government Course, written by CFIT, has been completed by over 685 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.

6.3 CFIT are currently developing a Money Laundering Awareness Course targeted at those areas of the business most at risk of being used to launder criminal proceeds but will be available to all staff. A preliminary script for this course has been provided to Learning and Development and we will be working with them over the coming months to deliver an online training package.

6.4 The successful prosecutions mentioned above were publicised through the local press and social media; this will continue to be done with vigour.

6.5 CFIT officers are engaging with Internal Audit's work to ensure that counter fraud protections are adequate in the areas being examined and to strengthen any identified vulnerabilities. We have provided input into the current audit of the Housing Allocations Policy and Procedure.

6.6 CFIT have issued 15 fraud alerts to various teams within the Council during the year highlighting current and emerging fraud threats that affect their areas of the Council's business.

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

7.1 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.

7.2 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).

7.3 CFIT operates as the local coordinator and key contact for the NFI at Southend Borough Council: centrally organising the upload of data and the processing of returns.

- 7.4 CFIT have reinvigorated the Council's engagement with this exercise since its formation and this year's cycle is expected to produce increased returns on the results of previous exercises.
- 7.5 The previous NFI cycle has now closed and the next cycle has commenced. We have recently coordinated the data gathering and upload processes for the next cycle. We have identified staff members to process the data matches when they are received, and their training will commence in advance of the reports being received from NFI.
- 7.6 The results of the data matching exercise will be released to the Council in January 2023, and we expect to start receiving reports of suspected fraud once these have been processed and reviewed by the relevant Council officers.
- 7.7 A recent report about NFI published by the Cabinet Office found the members of NFI in England had identified £417m of fraudulent or incorrect payments between April 2020 and March 2022. The report said the figure was almost double the £216m identified in the two years up to 2020, this was mainly attributed to more than a quadrupling of pension payments errors, up to £250m from £55m. The big rise was due to an increase in people receiving pensions for deceased family members and incorrect claims for injury benefits and pension abatements, the government said.
- 7.8 Public bodies also identified £24.4m from the potential misuse of blue badge parking passes, £22m from incorrect or fraudulent claims for people applying for social housing, the report said. A further £15m of housing benefit fraud was prevented from people that failed to declare an income or a change of circumstances. Local authorities also detected and prevented £45m of incorrect or fraudulent single person council tax discount claims.
- 7.9 The Cabinet Office said the NFI has identified and helped recover around £2.4bn since it was launched in 1996.

## **8. Corporate implications**

### *Contribution to the Corporate Plan and Southend 2050 Road Map*

- 8.1 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 all the council's aims and objectives.
- 8.2 It does this by protecting and recovering the assets and funds that the council holds.
- 8.3 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.
- 8.4 Such proactive counter fraud work can result in reduced costs to the Council by protecting it against potential loss and civil or insurance claims.

### *Financial implications*

- 8.5 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.

### *Legal implications*

- 8.6 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.”*
- 8.7 The work of the Counter Fraud & Investigation Team contributes to the delivery of this.
- 8.8 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.

### *People implications*

- 8.9 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.

### *Property implications*

- 8.10 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.

### *Consultation*

- 8.11 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.

### *Equalities Impact Assessment*

- 8.12 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

### *Risk assessment*

- 8.13 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.
- 8.14 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.

### *Value for money*

- 8.15 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.

### *Community Safety*

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

### *Environmental Impact*

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

## **Appendices**

Appendix 1 – Counter Fraud Work Plan 2022/23

Appendix 2 – Breakdown of CFIT investigations

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**Southend-on-Sea City 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 2022/23**

**KEY:**

Denotes proactive activities
Denotes prevention/protection activities
Denotes development activities

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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, albeit with a backlog of cases which is at a manageable level.	5	Shaun DUTTON	<b>ONGOING</b>
Council Tax	Joint working agreement with DWP for cases involving the Council Tax Reduction scheme.	March 2023	A meeting was held on 24/11/2022 to discuss joint working and the DWP have provided a process and draft agreements for consideration. These documents are currently being considered by Data Protection and Legal Services.	2	Shaun DUTTON Caroline MERCIECA	<b>ONGOING</b>



**OFFICIAL**

<b>Area</b>	<b>Activity</b>	<b>Target date</b>	<b>Current status</b>	<b>Resource requirement (officers)</b>	<b>Responsible officer</b>	<b>Completed date</b>
Council wide	Promote Declaration of Interest registration across the Council.	November 2022	This was achieved through a 'Views on Sea' blog to all staff on 17/11/2022.	1	David GILL	<b>17/11/2022</b>
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 are being explored. The monthly fraud newsletter's audience is expanding and now reaches approximately 700 recipients.	1	Shaun DUTTON	<b>ONGOING</b>
		November 2022	Programme of publicity and talks to raise staff awareness of the importance of Declarations of Interest and how to make these.	1	Shaun DUTTON	<b>18/11/2022</b>
		November 2022	Publicity campaign to highlight International Fraud Awareness Week.	1	Shaun DUTTON	<b>18/11/2022</b>
		October 2022	Develop an Anti Money Laundering Awareness Course for all staff. A draft script has been provided to Learning & Development. This completes this activity and a new activity will be started to support L&D.	1	Caroline MERCIECA	<b>13/12/2022</b>
		March 2023	Target for publication of Anti-Money Laundering Awareness course to all staff.	1	Shaun DUTTON	<b>ONGOING</b>

**OFFICIAL**



**OFFICIAL**

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
		May 2022	Engage with new starters in the Council at the point of induction to publicise CFIT, raise awareness of fraud and how to report it, and highlight the standards of behaviour and responsibility expected. This is expected to evolve into an induction eLearning course.	1	Shaun DUTTON	<b>30/09/2022</b>
Housing	Pro-active fraud detection and deterrence exercises on social tenancies.	May 2022	To be targeted in areas at high risk of subletting. Appropriate areas of activity will be determined during the planning stage.	5	Paul BROADBENT	<b>21/05/2022</b>
		August 2022			James COUSEN	<b>27/08/2022</b>
		October 2022	Due to the current workload on the team, this activity has been postponed to <b>March 2023.</b>		Caroline MERCIECA	<b>DELAYED</b>
Housing	Review of SBC tenancy terms and conditions to strengthen the counter fraud message and encourage cooperation with the counter fraud team.	May 2022	The South Essex Homes' tenancy T&Cs are under review and we have an active contribution.	1	David GILL	<b>10/05/2022</b>
Council wide	Fraud risk and process analysis of areas of the Council's business at high risk of fraud through participation in internal audits.	Ongoing	This work will be performed alongside Internal Audit's programme of work with risk assessment findings incorporated into their reports. This has the effects of adding more weight to any recommendations made and contributing to a closer	2-5	Shaun DUTTON	<b>ONGOING</b>

**OFFICIAL**

**OFFICIAL**

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			working relationship between the two teams.  CFIT continue to issue specific post-investigation reports recommending process / policy improvements that would provide a greater protection from fraud where appropriate.			
Blue Badge	Proactive fraud detection and deterrence exercise on Blue Badges	June 2022  July 2022  October 2022	Plain clothes exercise  Joint exercise with APCOA, this was not achieved due to the caseload of the team.  Plain clothes exercise. This exercise has been postponed to March 2023 due to workload commitments.	5	Shaun DUTTON	<b>01/07/2022</b>  <b>NOT ACHIEVED</b>  <b>DELAYED</b>
Blue Badge	Deliver Blue Badge enforcement update training to APCOA CEOs.	May 2022	The training has been written and this awaits a suitable opportunity to be delivered. Now complete.	1	Shaun DUTTON	<b>08/08/2022</b>
Benefits	Trial the new approach agreed with the Benefits Team to increase enforcement of Council Tax Reduction Scheme fraud without recourse to the DWP.	March 2023	In action.	1	Shaun DUTTON	<b>ONGOING</b>
Business Rates	Research project to determine best practice and effective methods of combatting Business Rates fraud.	March 2023	This project is waiting to be assigned.	2	TBD	<b>ONGOING</b>

**OFFICIAL**

**OFFICIAL**

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
	Trail the joint working initiative aimed at addressing the issue of NNDR evasion by 'pop up' shops in the High Street (The High Risk Commercial Premises Protocol)	March 2023	This is now live.		Shaun DUTTON	<b>ONGOING</b>
Business Rates / Council Tax	Proactive review of second homes rented out as a business to evade Council Tax liability by claiming SBRR.	November 2022	Currently conducting research with other local authorities who have claimed success with this activity.	2	David GILL James COUSEN	<b>ONGOING</b>
Counter fraud	Develop a financial investigator capability.	March 2023	Funding has been agreed to train two officers in Financial Investigation.  One officer has now completed the Financial Investigator Course.  One officer has commenced on the pathway to training. This is dependent on course availability.	3  2	Shaun DUTTON  Caroline MERCIECA  David GILL	<b>April 2022</b>
Counter fraud	Recruit a Counter Fraud Investigator Apprentice	August 2022	The apprentice joined the team in October and will be starting formal training at the end of that month.	1	Shaun DUTTON	<b>03/10/2022</b>
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>Other opportunities to be determined through internal audits.</li> </ul>	March 2023	This is currently being developed.  Fraud Awareness training delivered to all South Essex Homes tenancy officers and support staff.	2	Shaun DUTTON  David GILL	<b>May 2022</b>

**OFFICIAL**

**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 2023	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.	2-4	Shaun DUTTON David GILL	<b>ONGOING</b>
		June 2022	<p>Membership of CIFAS. 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 across live and current data sets from across the public and private sectors.</p> <p>A funding bid has been submitted for CIFAS membership. <b>This aspiration has been abandoned</b> due to the tight financial environment and pending the results of the above action.</p>	1	Shaun Dutton	<b>NOT ACHIEVED</b>

**OFFICIAL**

<b>Area</b>	<b>Activity</b>	<b>Target date</b>	<b>Current status</b>	<b>Resource requirement (officers)</b>	<b>Responsible officer</b>	<b>Completed date</b>
	Undertake a Single Person Discount fraud drive that reduces fraudulent discounts, increases council tax revenue, and increases the council tax base.	March 2023	Research currently being undertaken to identify third party data analysis providers, and best practice from other local authorities who have experience with this.	1	David GILL	<b>ONGOING</b>
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	<b>ONGOING</b>
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 over the coming 12 months. This cannot be explored at the expense of our ongoing workload commitments or proactive and prevention activities.	TBD	Shaun DUTTON	

## Work Plan 2022/23 Calendar

Proactive detection and deterrence work (in bold) involves working long hours and usually results in a lot of processing and checking. These exercises have been planned over a period from Spring to Autumn to maximise longer daylight hours. This also provides a period later in the year to enable consolidation of the results and resulting investigations. The work that requires the most post-exercise processing (social housing) have been spaced out evenly through the active period to reduce the impact on the team's operational capacity.

2022	
April	
May	<ul style="list-style-type: none"> <li>Commence engagement with new starters at the point of induction.</li> <li><b>Proactive deterrence &amp; detection exercise: social housing</b></li> <li>Blue badge fraud training for APCOA CEOs - DEADLINE</li> </ul>
June	<ul style="list-style-type: none"> <li><b>Proactive deterrence &amp; detection exercise: blue badge fraud (plain clothes)</b></li> <li>Membership of CIFAS - DEADLINE</li> </ul>
July	<ul style="list-style-type: none"> <li><b>Proactive deterrence &amp; detection exercise: blue badge fraud (APCOA)</b></li> </ul>
August	<ul style="list-style-type: none"> <li><b>Proactive deterrence &amp; detection exercise: social housing</b></li> <li>Recruit a Counter Fraud Investigation apprentice - DEADLINE</li> </ul>
September	
October	<ul style="list-style-type: none"> <li>Anti Money Laundering Course – DEADLINE</li> <li><b>Proactive deterrence &amp; detection exercise: blue badge fraud (plain clothes) – postponed to March 2023</b></li> <li><b>Proactive deterrence &amp; detection exercise: social housing – postponed to March 2023</b></li> </ul>
November	<ul style="list-style-type: none"> <li>Publicity campaign to highlight International Fraud Awareness Week and declarations of interest</li> <li>Declarations of Interest promotion – DEADLINE</li> <li>Holiday lets review exercise – DEADLINE</li> <li><b>Proactive exercise to identify second homes rented out as a business</b></li> </ul>
December	
2023	
January	
February	
March	<ul style="list-style-type: none"> <li><b>Proactive deterrence &amp; detection exercise: social housing</b></li> <li><b>Proactive deterrence &amp; detection exercise: blue badge fraud (plain clothes)</b></li> <li>Joint working agreement with DWP – DEADLINE</li> </ul>

**OFFICIAL**

	<ul style="list-style-type: none"><li>• Business Rates research project – DEADLINE</li><li>• Single Person Discount fraud drive – DEADLINE</li><li>• Business Rates High Risk Commercial Properties Protocol trial ends</li><li>• Council Tax Reduction Scheme new approach trial ends</li><li>• Financial Investigators training – DEADLINE</li><li>• False document identification training - DEADLINE</li></ul>
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## Appendix 2 - Breakdown of CFIT investigations as of December 2022<sup>1</sup>

Category	New cases since the last report (07/11/2022)	Total new cases since 1 April 2022	Active investigations (being investigated, awaiting allocation or with Legal Services) <small>Cases that started prior to 01/04/2022 in parentheses.</small>	Closed investigations since 1 April 2022 <small>Cases that started prior to 01/04/2022 in parentheses.</small>
<b>Transport</b> (Blue Badge, parking permits etc.)	3	37	11 (1)	33 (6)
<b>Schools</b> (including Early Years)	0	1	0 (0)	1 (0)
<b>Council Tax<sup>2</sup></b>	11	63	30 (5)	56 (18)
<b>Business Rates</b>	1	5	6 (4)	16 (13)
<b>Covid-19 related grants</b>	0	2	3 (2)	5 (4)
<b>DWP</b>	0	7	0 (0)	7 (0)
<b>Grant Fund fraud</b>	1	5	3 (1)	6 (3)
<b>Housing</b> (unlawful subletting, Right to Buy fraud etc.) <sup>3</sup>	14	97	31 (6)	90 (18)
<b>Money Laundering</b>	0	2	1 (0)	1 (0)
<b>Procurement</b>	0	0	3 (3)	1 (1)
<b>Social Care</b> (Direct Payment fraud etc.)	0	2	4 (4)	2 (0)
<b>Employee</b>	1	10	1 (1)	13 (3)
<b>Miscellaneous</b> (immigration, fraudulent cheques, mischievous referrals etc.)	6	24	4 (0)	22 (2)
<b>TOTALS</b>	<b>37</b>	<b>255</b>	<b>97 (27)</b>	<b>253 (68)</b>

<sup>1</sup> Figures are correct as of 19/12/2022.

<sup>2</sup> These figures include Council Tax Reduction Scheme frauds

<sup>3</sup> These figures include excess rent account and Right to Buy assessments

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