

**TO:- Audit and Risk Committee**

Councillor John Michell , Councillor Andrew Adams , Councillor Barry Bond M.B.E. , Councillor Steph Dufty ,  
Councillor Christopher Evans , Councillor Warren Fisher , Councillor Martin Perry , Councillor Sue Szalapski

Notice is hereby given that a meeting of the Audit and Risk Committee will be held as detailed below  
for the purpose of transacting the business set out below.

Date: Tuesday, 03 October 2023

Time: 16:00

Venue: Council Chamber, Codsall Community Hub, Wolverhampton Road, Codsall, South  
Staffordshire, WV8 1PX



D. Heywood  
Chief Executive

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**A G E N D A**

**Part I – Public Session**

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|----------|---|----------------|
| <b>1</b> | <b>Minutes</b><br>To approve the minutes of the Audit & Risk Committee meeting of 11 July 2023.   | <b>1 - 2</b>   |
| <b>2</b> | <b>Apologies</b><br>To receive any apologies for non-attendance.  |                |
| <b>3</b> | <b>Declarations of Interest</b><br>To receive any declarations of interest.   |                |
| <b>4</b> | <b>Annual Governance Statement</b><br>Report of the Corporate Director of Governance (Monitoring Officer)                                   | <b>3 - 18</b>  |
| <b>5</b> | <b>Quarterly Treasury Management Report: Quarter 1 - 01.04.23 to 30.06.23</b><br>Report of the Finance Team Manager and Deputy s151 Officer | <b>19 - 30</b> |

<b>6</b>	<b>Internal Audit Progress Report</b> Report of the Chief Internal Auditor	<b>31 - 34</b>
<b>7</b>	<b>Approval of the Counter Fraud and Corruption Policy</b> Report of the Corporate Director of Governance	<b>35 - 56</b>
<b>8</b>	<b>Exclusion of Press and Public</b> To resolve that the Press and Public be excluded from the meeting during consideration of the following items on the grounds that they are likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12(A) to the Local Government Act 1972.	

## **Part II – Private Session**

- 9**      **Review of the Internal Audit Report - Debtors and Debt Recovery**  
This item is exempt in accordance with Schedule 12A Local Government Act 1972
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

## **RECORDING**

**Please note that this meeting will be recorded.**

## **PUBLIC ACCESS TO AGENDA AND REPORTS**

Spare paper copies of committee agenda and reports are no longer available. Therefore should any member of the public wish to view the agenda or report(s) for this meeting, please go to [www.sstaffs.gov.uk/council-democracy](http://www.sstaffs.gov.uk/council-democracy).

Minutes of the meeting of the **Audit and Risk Committee** South Staffordshire Council held in the Council Chamber Community Hub, Wolverhampton Road, Codsall, South Staffordshire, WV8 1PX on Tuesday, 11 July 2023 at 16:00

**Present:-**

Councillor Andrew Adams, Councillor Steph Dufty, Councillor John Michell, Councillor Martin Perry, Councillor Sue Szalapski

08      **MINUTES**

**RESOLVED:** that the minutes of the meeting of the Audit and Risk Committee held on 20 June 2023 be approved and signed by the Chairmen.

09      **APOLOGIES**

Apologies were received from Councillor Bond MBE and Councillor Evans.

10      **DECLARATIONS OF INTEREST**

There were no declarations of interest.

11      **INTERNAL AUDIT ANNUAL OUTTURN REPORT 2022/23**

**RESOLVED** - Members noted the annual outturn report containing the annual audit opinion for 2022/23

12      **EXTERNAL AUDIT PLAN 2023**

**RESOLVED** - Members noted the South Staffordshire Audit Plan year ending 31 March 2023

13      **INFORMING THE AUDIT RISK ASSESSMENT**

**RESOLVED** Members noted the audit risk assessment for South Staffordshire Council 2022/23

14      **EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** - that the Press and Public be excluded from the meeting during consideration of the following items on the grounds that they are likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12(A) to the Local Government Act 1972.

15      **INCIDENT RESPONSE PREPAREDNESS UPDATE**

This item is exempt in accordance with Schedule 12A Local Government Act 1972

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

The Meeting ended at: 17:03

13 July 2023

**CHAIRMAN**

**SOUTH STAFFORDSHIRE COUNCIL****AUDIT & RISK COMMITTEE – 3 OCTOBER 2023****ANNUAL GOVERNANCE STATEMENT****REPORT OF MONITORING OFFICER/CORPORATE DIRECTOR OF GOVERNANCE****PART A – SUMMARY REPORT****1. SUMMARY OF PROPOSALS**

The report proposes the approval of the draft Annual Governance Statement 2022/23 (AGS) for publication alongside the draft accounts. The approval of the AGS is a legal requirement under the Accounts and Audit Regulations 2015.

**2. SUMMARY IMPACT ASSESSMENT**

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	This ensures that the systems in place address the risks and challenges that the Council faces through the Council Plan and that the governance systems in place are robust and rigorous
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	Not required – not a decision causing any impact on any particular group or part of the community rather setting the governance approach for the Council.
SCRUTINY POWERS APPLICABLE	No	
KEY DECISION	No	
TARGET COMPLETION/ DELIVERY DATE	Approval for inclusion with Statement of Accounts (likely November 2023)	
FINANCIAL IMPACT	No	None
LEGAL ISSUES	Yes	Required to be completed by virtue of the Accounts and Audit Regulations 2015.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	

**PART B – ADDITIONAL INFORMATION****3. INFORMATION**

- 3.1 The Accounts and Audit Regulations 2015 (“the 2015 Regulations”) provide a requirement for the Council to publish, with the financial statements, a Statement on Internal Control and the whole way that the Council is managed and run.
- 3.2 It is a legal requirement under the 2015 Regulations that the Council produces an Annual Governance Statement (AGS) setting out how it ensures that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 3.3 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.4 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.
- 3.5 The AGS sets out how the Council meets the tests under the 2015 Regulations in line with the relevant guidance.
4. IMPACT ASSESSMENT – ADDITIONAL INFORMATION
- Not required
5. PREVIOUS MINUTES
- None
6. BACKGROUND PAPERS
1. Council’s constitution
  2. Accounts and Audit Regulations 2015

## **7. RECOMMENDATION**

- 7.1** That Audit & Risk Committee support the attached draft Annual Governance Statement 2022/23 (at Appendix 1).

Report prepared by:

Lorraine Fowkes - Monitoring Officer (Corporate Director of Governance)

**SOUTH STAFFORDSHIRE –DRAFT ANNUAL GOVERNANCE STATEMENT 2023 – AUTHOR: L FOWKES – 20 JUNE 2023****SOUTH STAFFORDSHIRE COUNCIL****Annual Governance Statement****1. Introduction**

South Staffordshire Council is committed to improving governance on a continuing basis through a process of evaluation and review in accordance with the Council's governance framework.

Each year the Council is required to produce an Annual Governance Statement (AGS) by the Accounts and Audit (England) Regulations 2015 to be published alongside the Statement of Accounts. The AGS is in accordance with the Guidance issued by Chartered Institute of Public Finance and Accountancy (CIPFA) – Delivering Good Governance in Local Government – issued in 2016. There were no changes to the legal framework or CIPFA guidance for this year.

The key purposes of the governance framework are to ensure that:

- business is conducted in accordance with the law and proper standards,
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility,
- proper arrangements for the governance of its affairs, and that
- there are effective arrangements for the management of risk.

The AGS sets out how the corporate governance arrangements have been working and the effectiveness of the systems of internal control during the year. It also sets out any key changes during the financial year up to the date of approval of the Annual Financial Report. This AGS will be formally considered at the meeting of the Council's Audit and Risk Committee on 3 October 2023.

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**2. The Principles of Governance**

South Staffordshire Council’s governance framework derives from six core principles identified in Delivering Good Governance in Local Government.

The publication defines governance as:

*Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*

It goes on to state that:

*To deliver good governance in the public sector both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.*

*Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.*

The guidance sets out 6 key principles – set out below are the principles and how we aim to meet them:

- a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law***
- b) Ensuring openness and comprehensive stakeholder engagement***
- c) Defining outcomes in terms of sustainable economic, social and environmental benefits***
- d) Determining the interventions necessary to optimise the achievement of the intended outcomes***
- e) Developing the entity’s capacity, including the capability of its leadership and the individuals within it***
- f) Managing risks and performance through robust internal control and strong public financial management***



**SOUTH STAFFORDSHIRE –DRAFT ANNUAL GOVERNANCE STATEMENT 2023 – AUTHOR: L FOWKES – 20 JUNE 2023**
**3. How do we know that our arrangements are working?**

Set out below is a table the measures in place to measure how we are performing against these Core principles and any issues identified from the measures in place.

<b>Core Principles from the CIPFA Framework</b>	<b>Assurances required</b>	<b>Sources of assurance</b>	<b>Review of Effectiveness</b>
<ul style="list-style-type: none"> <li>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</li> <li>Ensuring openness and comprehensive stakeholder engagement</li> <li>Defining outcomes in terms of sustainable economic, social and environmental benefits</li> <li>Determining the interventions necessary</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of and communication of the Council Plan</li> <li>Quality services are delivered efficiently and effectively</li> <li>Clearly defined roles and functions</li> <li>Management of risk</li> <li>Effectiveness of internal controls</li> </ul>	<ul style="list-style-type: none"> <li>The Constitution and internal delegations</li> <li>Council, Cabinet and Committees</li> <li>Audit and Risk Committee</li> <li>Scrutiny including Overview and Scrutiny and Asset Scrutiny Panel</li> <li>Standards and Resources Committee</li> <li>Internal and External</li> </ul>	<ul style="list-style-type: none"> <li>External Audit Report – opinion</li> <li>Annual Internal Audit Report – substantial assurance</li> <li>Annual Statement of Accounts</li> <li>Local Government Ombudsman Report – no upheld complaints against the Council in 2022/2023</li> <li>Scrutiny reports – including reports from the Asset Scrutiny Panel</li> <li>Residents’ survey</li> <li>Annual Governance Statement</li> </ul>

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<p>to optimise the achievement of the intended outcomes -</p> <ul style="list-style-type: none"> <li>• Developing the entity's capacity, including the capability of its leadership and the individuals within it</li> <li>• Managing risks and performance through robust internal control and strong public financial management</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws, regulation, internal policies and procedures</li> <li>• Value for money and efficient management and resources</li> <li>• High standards of conduct and behaviours</li> <li>• Public accountability</li> <li>• Published information is accurate and reliable</li> <li>• Implementation of previous governance issues</li> </ul>	<p>Audit</p> <ul style="list-style-type: none"> <li>• Corporate and Extended Leadership Team</li> <li>• Council Plan</li> <li>• Medium Term Financial Strategy</li> <li>• Capital Strategy</li> <li>• Codes of Conduct</li> <li>• Integrated Performance Management Framework</li> <li>• HR policies and procedures</li> <li>• Whistleblowing and anti-fraud policies</li> </ul>	<ul style="list-style-type: none"> <li>• Staff Surveys</li> <li>• LGA Peer Review Report</li> </ul>
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		<ul style="list-style-type: none"> <li>• Evolution Programme</li> <li>• Residents survey</li> <li>• Staff and member training</li> <li>• Complaints system</li> <li>• Financial Procedure Rules</li> <li>• Contract Procedure Rules</li> <li>• CMIS (the Council's committee management information system)</li> </ul>	
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**Principle A) - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The standards of conduct and personal behaviour expected of Members and officers are defined and communicated through Codes of Conduct, protocols and the Council's constitution. Arrangements are in place to ensure that officers and members are made aware of what is expected of them and details on how to make a complaint are set out clearly on the Council's website.

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Importantly the Council's Standards and Resources Committee meets regularly and receives regular updates on conduct complaints. The Standards and Resources Committee promotes and maintains high standards of conduct by members proactively and deals with any allegations that a Member is in breach of the Council's Code of Conduct. The Council adopted a revised Code of Conduct in May 2022 and training on the revised Code was provided shortly afterwards. Training for all members was provided post May 2023 elections.

A key part of the remit of this Committee is overseeing responsibility for the policy on Comments, Compliments and Complaints, this includes receiving reports on the complaints and comments made by residents and others and the lessons learned as a result. The Committee receives all copies of reports from the Ombudsman and also receives updates to every meeting on any substantial cases.

The Standards and Resources Committee Chairman reports to Council on matters arising from the Committee.

The Council has an Anti-Money Laundering policy in place, as well as a Whistleblowing policy; both of these policies were reviewed in 2021/22 and approved at the January 2022 meeting of the Standards and Resources Committee. The Council last revised its Counter Fraud and Corruption Policy in November 2019. This policy is due to be revised in 2023 and once approved will be disseminated to staff and made available on the Council's website. Any issues regarding any of these policies are reported to the Council's Audit & Risk Committee.

The Section 151 Officer confirms that the Council's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer in Local Government (2010).

**Principle B) Ensuring openness and comprehensive stakeholder engagement**

The Council continues to engage with the community and partners individually and collectively to demonstrate that it delivers services and outcomes that meet the needs and expectations of the public.

All Council meetings are open to the public except where personal or confidential matters are discussed; all main meetings are recorded and the recordings made available on the Council's YouTube channel with a link to this on the Council's website. All public agendas and minutes are placed on the Council's website, along with the Council's policies and strategies. The website has been refreshed with greater accessibility tools and improved search function, ensuring improved access for residents. The Council continues to use Social Media to get the message

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out as to what is taking place at relevant Committees and also by sharing a weekly note with Parish Councils (which they in turn share with their communities) as to what is happening at the Council this week. This is in addition to the Council's newspaper, the South Staffordshire Review, published twice yearly.

It should be noted that a clear statement of the Council's purpose and vision was set out in the Council Plan 2020-2024. This plan, was agreed by Council in March 2020; this sets out the Council's vision, its approach and its priorities:

- Prosperous Communities
- Vibrant Communities

Again, a series of targets were set and these will be monitored and reported against over the coming plan period. The coronavirus pandemic inevitably impacted on the Council's ability to achieve some of these targets. This was considered by senior management throughout the pandemic and reported through to Councillors. Some targets were amended or suspended in light of this reconsideration. 2023/24 is the final year of the current Council Plan and a new plan will be produced for the 2024-2028 period.

**Principle C) Defining outcomes in terms of sustainable economic, social and environmental benefits**

In addition to the approach taken on Council Plan outcomes detailed above the Council has in place a number of other ways in which it defines the outcomes for its communities. With the onset of the covid pandemic, the priorities for our communities and therefore the Council shifted. The need to change quickly has continued with the impact of the war in Ukraine and the asylum and refugee programmes being two recent examples of the changing and challenging environment for local government. The impact of the increasing cost of living has also been one the Council has had to take into account. Increased call on welfare and support services has been seen and accommodated.

The Council reviewed and continues to do so, the support made available to our residents and businesses to ensure economic and other benefits. A ten point plan for recovery in the economic development area is in place. Like all of the Council plans and policies, environmental impacts are integrated into the plan.

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Alongside the response to the challenges and changes faced, financial stability continues to be a priority for the Council. A balanced budget for a three year period continues to be maintained. It is however a challenging time and the Council is aware that significant issues and challenges lie ahead; the Resource Planning and Prioritisation (RPP) process provides a continuous process to ensure this remains at the forefront.

The Council incorporates all elements of performance management into one integrated approach. This is reported to Cabinet on a quarterly basis and to Overview and Scrutiny Committee on half-yearly basis, with an annual report to Council. This provides effective member oversight on all key issues including budget, performance and risk.

**Principle D) - Determining the interventions necessary to optimise the achievement of the intended outcomes -**

The approach to performance management is detailed above. A key part of this is the role of Scrutiny by members through the 3 Scrutiny Committees namely Overview and Scrutiny Committee, Wellbeing Select Committee and the Asset Scrutiny Panel and the three Challenge Panels which report to the Overview and Scrutiny Committee. The Challenge Panels have been renamed Member Working Groups for 2023 onwards and a more flexible approach adopted – ensuring these important member groups have the opportunity to be involved in and shape key issues for the Council and residents. In October 2022 a peer review was carried out by the Local Government Association (LGA) this can be seen [here](#). The Peer Review overall gave a positive report recognising the organisation as a “very impressive council which is clearly focused on delivering for the communities of South Staffordshire”. A follow up meeting is scheduled for July 2023 and results of that will be reported to Overview and Scrutiny Committee in the autumn.

The Council has a learning culture, seeking to take examples of best practice and build on these within the existing positive environment. The Council takes opportunities to learn from others including engaging with Peer Reviews at other authorities, and taking part in the IESE Council of the Year events.

**Principle E) - Developing the entity’s capacity, including the capability of its leadership and the individuals within it**

The Council has looked to develop a workforce that looks to do things differently in order to meet both the financial challenges we face and to further strengthen our communities. This approach has continued in 2022/2023 and continues to date; whilst the terminology may have changed, the approach of continuous challenge and change remains. A key element is the Council’s Resource Planning and Prioritisation

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process (RPP). Whilst structured on an annual basis to tie-in with budget setting, the RPP process is a continual one with regular meeting between CLT and the Assistant Directors to track and challenge progress and issues throughout the year. In addition, the Assistant Directors have undertaken a piece of work mapping the key deliverables and how these interact across the Council to ensure forward planning minimises any potential negative impacts and maximises the benefits. This was originally termed a ‘pinch points’ exercise but has expanded and developed to incorporate the service priorities across the Council, feeding into service planning.

Evolution Programme has been introduced to continue to provide operational clarity of direction over the next four years. The Programme builds on the culture and environment of the council and sets out four key operational strands. This will be built upon and taken forward in future years.

The Council remains committed to developing its staff and has a comprehensive Workforce Strategy which seeks to align workforce plans with our RPP model, providing strategic direction for workforce planning. Alongside this, there is a Wellbeing Strategy addressing and expanding the support offered to staff. In 2022 a senior leadership coaching programme was held to enhance the skills of CLT and Assistant Directors and then Team Managers. It is proposed that this will be extended to Assistant Team Managers in 2023.

In a staff survey undertaken in 2022 93% of staff surveyed would recommend the council as a place to work.

The Council remains committed to a One Team One Council approach to development, performance management and recruitment of staff and that the key five values of trust: transparency, positive relationships, listening to people and pride are embedded into the organisation.

In 2022/23 the Council:

- Commenced the next round of the Aspire programme - for developing future talent and for being your best self
- Continued the ‘Ways of working’ supported by training programme
- Continued to consider the recruitment of apprentices where possible

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A new recruitment platform was launched, with applicants commenting positively in respect of the look and functionality. The Council is seeking to be an Employer of Choice and has a number of offers in this area.

Alongside staff development the Council prioritises member engagement and development focusing on three key areas:

- Information - sharing information with members in a timely and effective way
- Engagement - Members have a clear focus of local priorities through the ongoing development of locality working and a number of mechanisms are in place to ensure engagement with officers
- Training - Members are kept up to date on key topical areas through regular training opportunities

Members receive a monthly communications note from the Leader of the Council and regular communications from the Chief Executive and CLT on key matters. There is a bespoke weekly news round-up distributed by email to all members, capturing key events and news items of interest to members. The CEO meets with Group Leaders on a quarterly basis and the Leader of Council and Deputy Leader weekly and is joined by CLT colleagues. Virtual ward walks, giving members the opportunity to raise local issues and strategic matters with members of CLT have been held and post May 2023 elections these are being held in person, giving members the opportunity to showcase their wards alongside highlighting any local issues. The Leader and the Chief Executive meet with Parish Chairmen to ensure close engagement and working with this level of local government.

Training for members has continued in key areas such as planning and Code of Conduct. The training for members is co-ordinated by a panel of members known as the Member Engagement and Training Group; this meets quarterly and regularly reviews and challenges the training provided for members. In 2022 training took place for members but was limited due to the forthcoming May 2023 all-out elections. Post election, a comprehensive member induction and training programme, with LGA support, has been put in place; ensuring members are equipped to undertake their role and to ensure sound decision making.



**SOUTH STAFFORDSHIRE –DRAFT ANNUAL GOVERNANCE STATEMENT 2023 – AUTHOR: L FOWKES – 20 JUNE 2023****Principle F) - Managing risks and performance through robust internal control and strong public financial management**

The Council considers and counters risk across a broad range of areas supported by an approved risk management approach. As part of good governance risk management is built into the Integrated Performance Management Framework alongside budget management and performance. These reports are taken by the Council's Corporate Leadership Team to Cabinet for its approval.

Reports on risk are also taken regularly to the Council's Audit & Risk Committee.

The Audit & Risk Committee met regularly during the year to consider regular reports from internal audit on systems reviews, quarterly risk management reports from the responsible s.151 officer and the Annual Audit and Inspection Letter.

The Internal Audit section has delegated responsibility for monitoring the effectiveness of systems of internal control, beyond the merely financial, and plays an important role in the Council's risk management processes. The audit plan is based upon formal risk assessment methodologies and is approved by the Audit and Risk Committee each year. Audit reports, including assessments of the adequacy of controls and recommendations for improvements, are sent to the responsible officers and the Audit and Risk Committee. Recommendations must be either accepted, with an appropriate action plan, or rejected with reasons given. Regular reviews follow up on the implementation of agreed recommendations.

The Audit & Risk Committee receives regular reports on the work of Internal Audit. Where specific problems are found the manager will be called to the Audit & Risk Committee to explain the situation and present their plans for improvement. This will be followed up in a subsequent report by Internal Audit.

As set out above regular reports are brought to Cabinet on compliance with the budget during the year, as part of the integrated Performance Management Framework. This is in addition to the approach taken on setting the budget, where all members have been involved at an early stage in the budget setting process. As part of the RPP process Cabinet and all members are engaged at an early stage with briefings on key issues, risks and opportunities undertaken from July; this is then followed by a more detailed session in late Autumn setting out options and budget implications. Then in January the final round of RPP sessions are held prior to the formal budget setting process.

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In 2021 the Council entered into a shared service arrangement with Staffordshire County Council for its internal audit function. This gives greater resilience and provides a wide pool of expertise and experience benefiting the council going forward.

#### 4. Review of Effectiveness

South Staffordshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the Corporate Leadership Team and the Extended Leadership Team within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the system of governance includes the following elements:-

- **Governance and Monitoring of the Constitution** - The Council's Monitoring Officer is responsible for governance and reviewing the Constitution on a regular basis in order to ensure that it continues to operate effectively – this has taken place on a number of occasions including the annual review which went to Annual Council on 23 May 2023.

No significant issues have been identified.

- **Scrutiny and Challenge** – Self-regulation is key to the Local Government performance management framework in England - ultimately the Council is responsible for its own performance. This takes place internally through the Corporate and Extended Leadership Team and through members. It is clear that there is regular and careful scrutiny of the Council's performance against its targets. A key part of this is through the formal scrutiny process but also through the Member Working Groups. Overview & Scrutiny has provided a method for members to look at key areas including performance against the priorities. This has helped inform the approach taken by Cabinet, officers and wider partners.

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No significant issues have been identified.

- **Audit Functions**

**External Audit** - A critical part of this framework is the role of external audit providing advice and challenge where appropriate including supporting the training programme for members. It is pleasing to note that there has been no qualification issue on the accounts in previous years. The Council has also received unqualified conclusions on its arrangements to secure value for money.

**Financial Arrangements** - The Section 151 Officer confirms that the Council's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer in Local Government (2010).

**Internal Audit** – In 2022/23 the internal audit service carried out 22 reviews and of these:

- 9 were rated Substantial Assurance;
- 9 were rated Adequate Assurance;
- 2 were rated Limited Assurance;
- 2 were not rated as they were advisory.

The overall conclusion of the Chief Internal Auditor was that there was substantial assurance.

Of the seven High Level Audit recommendations outstanding from 2021/22 there were four were in progress as at June 2023 and details of these have been reported to the Audit & Risk Committee on 11 July 2023.

In terms of the limited assurance reports, these are circulated to members of the Audit and Risk Committee, prior to presentation at the Committee. Immediate steps have been put in place to address the issues raised or are in progress. The officers responsible will be attending the Committee meetings to explain the response and will be reporting back to future Committee meetings on the steps

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taken. As stated above there is a robust process in place to ensure that high level recommendations are implemented and this will continue.

There is a need to finalise the revised version of the Anti-Fraud policy, and this will be undertaken in 2023/24.

- **Conduct - Standards** – The Standards and Resources Committee inputted into the consultation on the Model Code of Conduct and recommended the adoption of the new Code to Council.

The Monitoring Officer has no significant issues to raise.

**5. Conclusion**

The Review of Effectiveness has found the arrangements for the Governance Framework to be fit for purpose.

The following action points have been identified:

- Implementation of High-Level recommendations made in 2022/23
- Issue of revised Anti-Fraud Policy

These will be addressed in 2023/2024 and reports will be brought to the Audit & Risk Committee on progress during the year.

**SOUTH STAFFORDSHIRE COUNCIL****AUDIT AND RISK COMMITTEE 3 OCTOBER 2023****QUARTERLY TREASURY MANAGEMENT REPORT: QUARTER 1 – 010423 TO 300623****REPORT OF THE FINANCE TEAM MANAGER AND DEPUTY S151 OFFICER****PART A – SUMMARY REPORT****1. SUMMARY OF REPORT**

1.1 The report presents the 1<sup>st</sup> quarter summary information relating to treasury management activities and interest during 2023/24. The Council's position at the beginning and end of the quarter was as follows.

- Total on deposit at the start of the quarter £16,150,000
- Total on deposit at the end of the quarter £16,850,000
- Interest earned in the quarter was £212,498 against a budget of £140,500
- Total Borrowing at the start of the quarter was £15,000,000 (long-term borrowing over 40-50 years)
- Total borrowing at the end of the quarter was £15,000,000
- Borrowing costs in the quarter were £58,589 against a budget of £58,750

**2. RECOMMENDATIONS**

2.1 Members are asked to note the position as set out in the report.

**3. SUMMARY IMPACT ASSESSMENT**

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	The reporting of financial information on a regular basis contributes to providing value for money and quality services.
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	This proposed decision does not give rise to any change in policy nor does it give rise to any new expenditure and it is not considered to have any adverse implications.
SCRUTINY POWERS APPLICABLE	No	
KEY DECISION	No	
TARGET COMPLETION/ DELIVERY DATE	Not applicable	

FINANCIAL IMPACT	Yes	<p>The Council makes assumptions about the level of investment income over the financial year based on the Council's expected cash position and interest rates forecasts provided by its treasury advisors. Delays in the delivery of the capital programme will have an impact on the council's cash position and therefore interest earned, and interest paid. Likewise increases or decreases in interest rates will affect interest earned and paid on investments and borrowings.</p> <p>During the 1<sup>st</sup> quarter rates have continued to increase past what we had budgeted for, moving from 4.25% at the start of the quarter to 5.00% by the end. In addition to this cash balances remain higher than anticipated due to slippage within the capital programme. As a result, at the end of Q1 year-to-date interest earned was £212,498 against a year-to-date budgetary target of £140,500.</p> <p>The Council has a borrowing portfolio of £15m, all sourced through the PWLB. Year to date interest paid is £58,589 against a year-to-date budget of £58,750 up to the end of Q1.</p> <p>For monitoring purposes, assumptions are made based on the strategies agreed by Council. The Capital Programme for 2023/24 and future years was approved by Council 21 February 2023.</p>
LEGAL ISSUES	Yes	The proposed actions are in accordance with the Council's Constitution and Financial Procedure Rules.
OTHER IMPACTS, RISKS & OPPORTUNITIES	None	
IMPACT ON SPECIFIC WARDS	No	

## **PART B – ADDITIONAL INFORMATION**

- 4.1** CIPFA (the Chartered Institute of Public Finance and Accountancy) in its Code of Practice for Treasury Management recommends that members should be updated on treasury management activities at least twice a year. This report therefore ensures this council is implementing best practice in accordance with the Code.

The following items are set out in the report below:

- annual investment strategy/the Council's current treasury position;
- interest earned for Quarter 1;
- the borrowing outturn for Quarter 1;
- compliance with treasury limits;

#### 4.2 Annual Investment Strategy/Current Treasury Position

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, is approved by the Council. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will aim to achieve the optimum return (yield) on investments while considering levels of security and liquidity. In the current economic climate, it is considered appropriate to keep investments short term to cover short term cash flow needs but also to seek out value available in higher rates in periods up to 12 months or in some circumstances beyond, with highly credit rated financial institutions.

The Council's position at the beginning and end of quarter dates was as follows:

<b>Investments</b>	<b>31 Mar 2022 £</b>	<b>30 June 2023 £</b>
<b>Money Market Funds:</b>		
Federated Investors LLP	1,150,000	3,850,000
CCLA	11,000,000	11,000,000
<b>Total</b>	<b>12,150,000</b>	<b>14,850,000</b>
<b>Internal Investments:</b>		
First Abu Dhabi Bank (ATS)	2,000,000	2,000,000
Qatar National Bank (ATS)	1,000,000	0
Standard Chartered Bank (ATS)	1,000,000	0
<b>Total</b>	<b>4,000,000</b>	<b>2,000,000</b>
<b>Grand Total</b>	<b>16,150,000</b>	<b>16,150,000</b>

\*ATS is a service provided by our treasury advisors. By using this facility, it allows us to access investments at higher interest rates and a wider list of counterparties than we would be able to get by going directly to the market.

Investments in Money Market Funds are held to manage the daily cash flows. Surplus funds are placed on short term deposit to meet predicted outflows of funds for example the precept payments to the County, Fire and Police authorities.

Internally managed funds are used to generate a higher return on investments when funds are not required in the very short term. In most cases these investments are kept relatively short term up to a maximum of 1 year.

Due to the timings of these cashflows, balances generally build up during the first three quarters of the year and then fall significantly in quarter 4 due to the profiled collection of taxation revenues for council tax and business rates.

#### 4.3 Details of Investments and Interest during Quarter 1

Due to inflationary pressures over the last 18 months the Bank of England has continued to raise interest rates to combat this, as a result interest rates have risen from 4.25% at the start of the quarter up to 5.00% at the end of Q1.

This has had a positive impact on the interest earning potential of our investments. Interest earned during Quarter 1 2023/24 was £212,498, £71,998 above budget (£140,500).

A breakdown of interest earnings is detailed in the table below:

Interest Earned	Quarterly Budget £	Quarterly Actual £
Investment Income Budget	140,500	
<b>Money Market Funds:</b>		
Federated Investors LLP		53,320
CCLA		119,969
Internal Investments		22,136
Bank Accounts		17,073
<b>Grand Total</b>	<b>140,500</b>	<b>212,498</b>

#### 4.4 Borrowing Outturn for Quarter 1 2023/24

During Q3 of 2021/22 the council made the decision to take out some longer term borrowing to fund the capital programme. Due to the impending rate raise that was expected it was felt that this was the right time to take out a portion of borrowing to take advantage of the historically low rates on offer and reduce the risk of the council undertaking borrowing at much higher rates in the future. As a result, the council took the option to borrow £15,000,000 over 40-50 years at fixed rates ranging from 1.51%-1.62%.



Loan Amount	Interest Rate	Loan Length	Annual Interest	Repayment Date
5,000,000.00	1.62%	40 years	81,000.00	14/11/2061
5,000,000.00	1.57%	45 years	78,500.00	12/11/2066
5,000,000.00	1.51%	50 years	75,500.00	13/11/2071
			235,000.00	

Additional borrowing may be required in the future to fund further aspects of the capital programme however some of this borrowing may not be required for some time and so whilst rates are still volatile it was felt prudent to leave a portion of the borrowing requirement until a time where we feel it would be most beneficial to the council's long-term finances. With that in mind the council will continue to monitor the markets and take advice from our professional advisors to take advantage of any changes in market conditions. It is likely that once further spend on the capital programme is undertaken further long-term borrowing will be taken in accordance with the approved treasury management strategy.

Details of the Councils borrowing position at the beginning and end of the quarter are detailed as follows:

	31 Mar 23 £	30 Jun 23 £
PWLB	15,000,000	15,000,000
<b>Grand Total</b>	<b>15,000,000</b>	<b>15,000,000</b>

#### 4.5 Compliance with Treasury Limits

Compliance with the Council's Treasury Management Limits as set out in the Treasury Management Strategy, underpins all investment and borrowing decisions made at all times.

The Table below details the applicable lending limits for investments made during the 1<sup>st</sup> quarter of 2023/24.

Investments	Institute Rating (at time of investment)	Highest value During Quarter	Monetary Limit (As per TMSS)	Period of Investment	Time Limit as per TMSS
Federated	AAA+	12,850,000	15,000,000	Liquid	Liquid
CCLA	AAA+	11,000,000	15,000,000	Liquid	Liquid
First Abu Dhabi Bank (ATS)	AA-	2,000,000	3,000,000	1 Year	1 Year
Qatar National Bank (ATS)	A	1,000,000	1,000,000	6 Months	6 Months
Standard Chartered Bank (ATS)	A+	1,000,000	1,000,000	6 Months	6 Months

The Table below details the applicable limits between fixed and variable rate borrowing during the 1<sup>st</sup> quarter of 2023/24.

<b>Borrowing</b>	<b>Borrowing in Quarter</b>	<b>Monetary Limit (As per TMSS)</b>
<b>Fixed</b>	15,000,000	44,000,000
<b>Variable</b>	0	15,000,000

**5. IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

None

**6. PREVIOUS MINUTES**

None

**7. BACKGROUND PAPERS**

Appendix A – Link Asset Services Q1 2023/24 Report

Report by: John Mayhew, Finance Team Manager (Deputy s151 Officer)  
Steven Johnson, Senior Accountant

## **QUARTERLY TREASURY MANAGEMENT REPORT**

### **QUARTER ONE – 1 APRIL 2023 TO 30 JUNE 2023**

#### **Detailed economic commentary on developments during quarter ended 30 June 2023**

- The first quarter of 2023/24 saw:
  - A 0.2% m/m rise in real GDP in April, partly due to fewer strikes;
  - CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7;
  - Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
  - A tighter labour market in April, as the 3myy growth of average earnings rose from 6.1% to 6.5%;
  - Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
  - 10-year gilt yields nearing the “mini-Budget” peaks, as inflation surprised to the upside.
- The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March’s 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year. Some of the strength in April was due to fewer strikes by train workers and teachers in that month. Moreover, some of the falls in activity in other areas in April were probably temporary too. Strikes by junior doctors and civil servants contributed to the fall in health output (0.9% m/m) and the meagre 0.1% m/m increase in public administration.
- The fall in the composite Purchasing Managers Index (PMI) from 54.0 in May to a three-month low of 52.8 in June (>50 points to expansion in the economy, <50 points to contraction) was worse than the consensus forecast of 53.6. Both the services and manufacturing PMIs fell. The decline in the services PMI was bigger (from 55.2 to 53.7), but it remains consistent with services activity expanding by an annualised 2%. The fall in the manufacturing PMI was smaller (from 47.1 to 46.2), but it is consistent with the annual rate of manufacturing output falling from -0.8% in April to around -5.0%. At face value, the composite PMI points to the 0.1% q/q rise in GDP in Q1 2023 being followed by a 0.2% q/q gain in Q2 2023.
- Meanwhile, the 0.3% m/m rise in retail sales volumes in May was far better than the consensus forecast of a 0.2% m/m decline and followed the robust 0.5% m/m rise in April. Some of the rise was due to the warmer weather. Indeed, the largest move was a 2.7% m/m jump in non-store sales, due to people stocking up on outdoor-related goods. But department stores also managed to squeeze out a 0.6% m/m rise in sales and the household goods sub-sector enjoyed a reasonable performance too. Overall, the figures were far better than analysts had expected. In addition, the GfK measure of consumer confidence rebounded from -27 to a 17-month high of -24 in June.
- The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year. Our central assumption is that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024. Our colleagues at Capital Economics estimate that around 60% of the drag on real activity from

the rise in rates has yet to bite, and the drag on the quarterly rate of real GDP growth over the next year may be about 0.2ppts bigger than over the past year.

- The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than the consensus had expected. The three-month change in employment rose from +182,000 in March to +250,000 in April. Meanwhile, labour supply continued to recover as the size of the labour force grew by 303,000 in the three months to April. That was supported by a further 140,000 decline in inactivity as people returned to work from retirement and caring responsibilities (while inactivity due to long-term sick continued to rise). But it was not enough to offset the big rise in employment, which meant the unemployment rate fell from 3.9% to 3.8%
- The tighter labour market supported wage growth in April, although the 9.7% rise in the National Living Wage on 1st April (compared to the 6.6% increase in April last year) probably had a lot to do with it too. The 3myy rate of average earnings growth reaccelerated from 6.1% to 6.5% (consensus 6.1%) and UK wage growth remains much faster than in the US and the Euro-zone. In addition, regular private sector wage growth increased from 7.1% 3myy to 7.6%, which left it well above the Bank's forecast for it to fall below 7.0%. Overall, the loosening in the labour market appears to have stalled in April and regular private sector wage growth was well above the Bank's forecast.
- CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn't rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.
- This suggests the Bank may have more work to do than the Fed or ECB. Indeed, the Bank of England sounded somewhat hawkish in the June meeting. This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.
- That said, the Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that "the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting". Moreover, the Committee did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. We still think it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, we think rates are more likely to peak between 5.50-6.00%. Our forecast is also for rates to be cut in the second half of 2024, and we expect rates to then fall further than markets are pricing in.
- Growing evidence that UK price pressures are becoming increasingly domestically generated has driven up market interest rate expectations and at one point pushed the 10-year gilt yield up to 4.49% in late June, very close to its peak seen after the "mini-budget". Yields have since fallen slightly back to 4.38%. But growing expectations that rates in the UK will remain higher for longer than in the US mean they are still more than 70 bps above US yields. While higher interest rates are priced into the markets, the likely dent to the real economy from the high level of interest

rates is not. That's why we think there is scope for market rate expectations to fall back in 2024 and why we expect the 10-year PWLB Certainty Rate to drop back from c5.20% to 5.00% by the end of this year and to 4.20% by the end of 2024.

- The pound strengthened from \$1.24 at the start of April to a one-year high at \$1.26 in early May, which was partly due to the risks from the global banking issues being seen as a bigger problem for the US than the UK. The pound then fell back to \$1.23 at the end of May, before rising again to \$1.28 in the middle of June as the strong core CPI inflation data released in June suggested the Bank of England was going to have to raise rates more than the Fed or ECB in order to tame domestic inflation. However, sterling's strong run may falter because more hikes in the near term to combat high inflation are likely to weaken growth (and, hopefully, at some point inflation too) to such a degree that the policy rate will probably be brought back down, potentially quite quickly, as the economic cycle trends downwards decisively. This suggests that additional rate hikes are unlikely to do much to boost the pound.
- In early April, investors turned more optimistic about global GDP growth, pushing up UK equity prices. But this period of optimism appears to have been short-lived. The FTSE 100 has fallen by 4.8% since 21<sup>st</sup> April, from around 7,914 to 7,553, reversing part of the 7.9% rise since 17<sup>th</sup> March. Despite the recent resilience of economic activity, expectations for equity earnings have become a bit more downbeat. Nonetheless, further down the track, more rate cuts than markets anticipate should help the FTSE 100 rally.

### **MPC meetings 11<sup>th</sup> May and 22<sup>nd</sup> June 2023**

- On 11<sup>th</sup> May, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22<sup>nd</sup> June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.
- Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon. Talk of the Bank's inflation models being "broken" is perhaps another reason why gilt investors are demanding a premium relative to US and Euro-zone bonds, for example.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has already hiked short-term rates to a range of 5.00%-5.25%, but a further increase is pencilled in for July, whilst the ECB looks likely to raise its Deposit rate at least once more to a peak of 3.75%, with upside risk of higher to come.
- 

## **2. Interest rate forecasts**

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

The latest forecast, made on 26<sup>th</sup> June, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

You will note that our forecasts have steadily increased during the quarter as the data continued to spring upside surprises, and the Bank of England continued to under-estimate how prevalent inflation is, and how tight the labour market is. The Government has also noted that despite immigration increasing markedly, high levels of ill-health amongst the workforce has led to wage demands remaining strong until such time as there is a loosening in demand for business services.

Our current and previous PWLB rate forecasts below are based on the Certainty Rate.

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

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

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

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

## A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was previously updated on 25<sup>th</sup> May and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened to a degree, especially as it moved to a more aggressive 0.5% hike in June but, with inflation remaining elevated, we anticipate that Bank Rate will need to increase to at least 5.5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.
- Moreover, we also still anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged. Our current judgment is that rates will have to increase and stay at their peak until the second quarter of 2024 as a minimum.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine and whether there are any further implications for Russia itself following the recent aborted mutiny by the Wagner group.
- On the positive side, consumers are still estimated to be sitting on excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

## PWLB RATES

- Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since our previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

### The balance of risks to the UK economy: -

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

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, the rising gilt yields we have seen of late).
- **The Bank of England** increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.
- **A broadening of banking sector fragilities**, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

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

- Despite the recent tightening by 0.5%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.



**SOUTH STAFFORDSHIRE COUNCIL****AUDIT & RISK COMMITTEE – 3<sup>rd</sup> OCTOBER 2023****INTERNAL AUDIT PROGRESS REPORT****REPORT OF THE CHIEF INTERNAL AUDITOR****PART A – SUMMARY REPORT****1. SUMMARY OF PROPOSALS**

- 1.1 This report informs Members on the internal audit activity carried out since the Audit & Risk Committee held on 11<sup>th</sup> July 2023.
- 1.2 This report provides scrutiny of the internal audit function during the year.

**2. SUMMARY IMPACT ASSESSMENT**

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	The delivery of the Internal Audit Plan provides management with assurances that their service objectives which support the Council's priorities are being achieved.  The work of Internal Audit covers those priorities contained within the Council's Plan 2020-2024
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	The delivery of the Internal Audit Plan and Counter Fraud Plan is not considered to have any adverse implications to equal opportunities and diversity policies.
SCRUTINY POWERS APPLICABLE	No	
KEY DECISION	No	
TARGET COMPLETION/ DELIVERY DATE	Delivery of the Annual Internal Audit Plan and Counter Fraud Plan 31/03/2024	
FINANCIAL IMPACT	No	There are no direct financial implications. The current costs of the Internal Audit Service are contained within the Medium Term Financial Strategy as are the costs of insurance covers to mitigate the cost of any financial loss arising from the failure of internal controls.

LEGAL ISSUES	Yes	<p>Section 151 of the Local Government Act 1972 The Accounts &amp; Audit Regulations 2015</p> <p>A sound system of internal audit, and monitoring of the same, assists in compliance with the above statutory duties.</p> <p>The results of Internal Audit's work feed into the Council's Annual Governance Statement.</p>
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	<p>Internal audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit will continue to align its work with the Strategic and Operational Risk Registers.</p>
IMPACT ON SPECIFIC WARDS	No	<p>No impact.</p>

## **PART B – ADDITIONAL INFORMATION**

- 3.1 This report updates the Audit & Risk Committee on Internal Audit activity carried out since the last Committee meeting on 11<sup>th</sup> July 2023.

### **Progress Against the revised Internal Audit Plan and Counter Fraud Plan 2023/24**

- 3.2 As at 20<sup>th</sup> September 2023, 11% of the Internal Audit Plan 2023/24 has been completed. A further 26% of the planned audit reviews are also in progress, including ongoing project support and advice in relation to the Viv-up employee benefits scheme. Remaining work is scheduled to be completed in Quarters 3 and 4 of the current financial year and preparations for these reviews is currently ongoing.
- 3.3 Since the last Audit & Risk Committee meeting held on 11<sup>th</sup> July 2023, the following piece of work has been finalised:
- Energy Bill Support Scheme (*Substantial Assurance*).
- 3.4 In addition, the following piece of work has been completed and is at draft report stage:
- Grant Verification – Disability Facility Grant (DFG).
- 3.5 In relation to the Counter Fraud Plan for 2023/24, a programme of Continuous Controls Monitoring (CCM) continues to be undertaken. CCM is a series of regular data matching/analysis exercises designed to identify 'red flags' that may indicate fraud or error in the Council's databases, which leads to follow up enquiries by auditors. Review of data sets for the current financial year, up to the end of August 2023, have been undertaken. As part of the analytics work completed invoice

records have been reviewed for potential duplicates with no adverse findings identified. A review of mileage claims for the period above has identified limited potential duplicates, all of which have been cleared following further enquiries with claimants with no adverse findings. Absence data for the period to the end of August 2023 has recently been obtained which will allow review of Purchase Card activity against cardholder absence, this work is to commence shortly, the results of which will be reported at a future meeting of this committee.

- 3.6 Following receipt of Council Tax discount data, in September 2023, a data matching exercise has been carried out comparing recipients of Council Tax discounts to Electoral role data, to identify potential fraudulent/erroneous claims for discounts. This work has been conducted as a pilot exercise as part of the 2023/24 CCM programme. Initial findings have been discussed with the Revenues Team Manager, who has been provided with a copy of the matches. These will be reviewed by Council staff. Dependent on the outcome of the review of the matches, it is anticipated that this exercise could be repeated in future, potentially aligned to significant updates to the electoral role.
- 3.7 The Council takes part in the National Fraud Initiative ('NFI'). The NFI is a biennial data matching exercise, hosted by the Cabinet Office. In October 2022 data sets were uploaded to the Cabinet Office by the Council, including Payroll, Creditors, Council Tax, Housing Benefit, Housing Waiting List and Pensions data. The Cabinet Office runs analytics on the data sets to identify unexpected matches, duplicates and inconsistencies both within the Council's Data, and against other data sets (e.g. other Councils and DWP Deceased Person records), with the purpose of detecting fraud or error.
- 3.8 Internal Audit coordinate the investigation of the Council's matches and has referred matches to the relevant service areas for further investigation. Internal Audit will monitor the Council's review of the matches and outcomes from the exercise will be reported to management and the Audit and Risk Committee at a future meeting. A table summarising the volume of matches for review is detailed below:

<b>Report Group</b>	<b>Number of Potential Matches for Review</b>
Housing Benefit	8
Payroll	12
Housing Waiting List	80
Council Tax Reduction Scheme	226
Creditors	107
Total Matches	433

- 3.9 A new referral has been received relating to a series of cash thefts at a leisure centre in June and July 2023. Evidence has been obtained, and the matter reported to Police. It is pleasing to note Staffordshire Police have promptly commenced a criminal investigation, obtaining information from the internal investigation, and

carried out additional further steps. At the time of writing, efforts are being taken to interview the Subject as part of the Council's own internal investigation, which is conducted separately but in parallel to the Police's criminal process. Giving consideration to the Subject, and to preserve the integrity of both the internal and Police investigations, further information will not be disclosed at this time. A full report will be presented to the Audit and Risk Committee when the investigation comes to a conclusion.

#### **Other Activities**

- 3.10 The Internal Audit Manager continues to meet with the Finance Team Manager (Interim S151 Officer) and the Director Legal & Governance (Monitoring Officer) on a regular basis.

#### **4 IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

- 4.1 None identified.

#### **5 PREVIOUS MINUTES**

- 5.1 Not Applicable.

#### **6 BACKGROUND PAPERS**

- 6.1 Not Applicable

#### **7. RECOMMENDATIONS**

- 7.1 To note the internal audit activity to date.

Report prepared by: *Susan Bluck*  
*Internal Audit Manager*  
*20<sup>th</sup> September 2023*

**SOUTH STAFFORDSHIRE COUNCIL**

**AUDIT & RISK COMMITTEE – 3 OCTOBER 2023**

**APPROVAL OF THE COUNTER FRAUD AND CORRUPTION POLICY**

**REPORT OF THE CORPORATE DIRECTOR OF GOVERNANCE**

**PART A – SUMMARY REPORT**

**1. SUMMARY OF PROPOSALS**

1.1 This report presents the revised Counter Fraud and Corruption Policy for approval.

**2. SUMMARY IMPACT ASSESSMENT**

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	The Council fully recognises its responsibility for the proper administration of its assets and public funds and is committed to maintaining an ethical culture which does not and will not tolerate any form of fraud and corruption. This policy is a key element of the Council's overall corporate governance arrangements. The Policy will directly support the achievement of the Council's Priorities.
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	The Counter Fraud and Corruption Policy is not considered to have any adverse implications to equal opportunities and diversity policies.
SCRUTINY POWERS APPLICABLE	No	
KEY DECISION	No	
TARGET COMPLETION/ DELIVERY DATE	3 October 2023	
FINANCIAL IMPACT	Yes	There are no direct financial implications. The current costs of the Audit Service are contained within the Medium Term Financial Strategy as are the costs of insurance covers to mitigate the cost of any financial loss arising from the failure of internal controls.
LEGAL ISSUES	Yes	The Policy will directly support the Council in complying with statutory responsibilities.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	Internal audit objectively examines, evaluates and reports on the adequacy of the control environment,

		including potential fraudulent activity, as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit will continue to align its work with the Strategic and Operational Risk Registers (as appropriate).
IMPACT ON SPECIFIC WARDS	No	No impact.

## **PART B – ADDITIONAL INFORMATION**

- 3.1 This report outlines the Counter Fraud and Corruption Policy, which is attached as Appendix 1 for approval.
- 3.2 The objective of the Counter Fraud and Corruption Policy is to confirm that in administering its aims and responsibilities the Council is totally committed to deterring fraud and corruption, whether it is attempted on or from within the Council.
- 3.3 As stated at Section 2.1. of Appendix 1 the key objectives of the Counter Fraud and Corruption Policy is to:
- Increase awareness of the counter fraud responsibilities at all levels within and outside the Council;
  - Further embed and support the effective management of fraud risk within the Council;
  - Support counter fraud activities across the Council; and
  - Minimise the likelihood and extent of loss through fraud and corruption.
- 3.4 The Counter Fraud and Corruption Policy defines and categorises fraud and corruption activities and clarifies the actions and accountabilities within the Council for the management and mitigation of fraud, bribery and theft risks.

## **4. IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

- 4.1 None identified

## **5. PREVIOUS MINUTES**

- 5.1 Not Applicable

## **6. BACKGROUND PAPERS**

**Appendix 1 – Counter Fraud and Corruption Policy**

## **7. RECOMMENDATIONS**

7.1 To approve the revised Counter Fraud and Corruption Policy.

Report prepared by: *Lorraine Fowkes, Corporate Director of Governance*







**South Staffordshire Council**

# **Counter Fraud and Corruption Policy**

October 2023

**fraud**



[www.sstaffs.gov.uk](http://www.sstaffs.gov.uk)



# Counter Fraud and Corruption Policy

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# Counter Fraud and Corruption Policy

## 1. POLICY STATEMENT

- 1.1. South Staffordshire Council (the 'council') fully recognises its responsibility for the proper administration of its assets and public funds. It maintains a zero tolerance stance against fraud, bribery and theft and is committed to the fullest support for members and staff in upholding the reputation of the council and maintaining public confidence in its integrity. It also recognises its responsibilities under the Proceeds of Crime Act 2002, Fraud Act 2006, Terrorism Act 2000, Money Laundering Regulations 2017 and the Bribery Act 2010.
- 1.2. The council is committed to maintaining an ethical culture which does not and will not tolerate any form of fraud and corruption. Any such issues will be thoroughly investigated and, if confirmed, dealt with rapidly in the strongest possible way. We will seek the strongest possible sanctions against those who seek to defraud the council. This includes taking appropriate action against staff, members, contractors, external individuals and organisations.
- 1.3. The council also expects that individuals and organisations (e.g. partners, suppliers/contractors and service users) which it comes into contact with, will act towards the council with integrity and without actions involving fraud or corruption. The council in turn will endeavour to ensure that all of its dealings will be on the same basis.
- 1.4. This policy is a key element of the council's overall corporate governance arrangements which aim to ensure the council is well managed and does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable way. The council has a range of other interrelated policies and procedures that provide a corporate framework to counter fraud activity. These have been formulated in line with appropriate legislative requirements and include:
  - Financial Procedure rules
  - Contract Procedure rules
  - Whistleblowing Policy
  - Recruitment & selection procedures
  - Disciplinary Procedures
  - Data Protection Policy
  - IT Security and Acceptable Use Policy
  - Constitution
  - Code of Conduct for Members
  - Code of Conduct for Employees
  - Scheme of Delegation
  - Members Handbook
  - Gifts & Hospitality Policy & Register and
  - Anti-money Laundering Policy

# Counter Fraud and Corruption Policy

## 2. OBJECTIVES

- 2.1. In administering its aims and responsibilities the council is totally committed to deterring fraud and corruption, whether it is attempted on or from within the council. The key objectives of this Counter Fraud and Corruption Policy is to:
- Increase awareness of the counter fraud responsibilities at all levels within and outside the council;
  - Further embed and support the effective management of fraud risk within the council;
  - Support counter-fraud activities across the council; and
  - Minimise the likelihood and extent of loss through fraud and corruption.
- 2.2. All of the above will directly support the achievement of the council priorities whilst ensuring that statutory responsibilities are met.

## 3. DEFINITIONS

- 3.1. A dishonest act or fraudulent activity may be, but is not limited to, an act or activity that is unethical, improper, or illegal such as:
- Theft of an asset including, but not limited to, money, tangible property, intellectual property etc;
  - Misappropriation, misapplication, destruction, removal or concealment of property;
  - False claims and/or misrepresentation of the facts;
  - Alteration or falsification of documents, which includes the inappropriate destruction of paper or electronic documents;
  - Inappropriate use of computer systems including hacking and software piracy;
  - Embezzlement;
  - Bribery; or corruption of any kind;
  - Unlawful or undeclared conflict of interest;
  - Unauthorised use or misuse of council property, equipment, materials or records.



# Counter Fraud and Corruption Policy

## Fraud

3.2. All references to fraud within this document include any type of fraud-related offence. Whilst the Fraud Act (2006) (the 'Act') does not provide a single definition of fraud, it may be described as 'theft by deception'. The key characteristics of fraud include an individual acting dishonestly and with the expectation of either making a gain for themselves or another person, or, causing loss to a third party.

3.3. The Act identifies fraud as a single offence which can be committed in three separate ways;

**Fraud by false representation** - A person dishonestly makes a false representation, intending to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss. The legal definition of 'representation' is broad and includes written, verbal and non-verbal communication.

**Fraud by failing to disclose information** - A person dishonestly fails to disclose to another person information which they are under a legal duty to disclose, and intends, by failing to disclose the information to make a gain for himself or another, to cause loss to another or to expose another to a risk of loss.

**Fraud by abuse of position** - A person occupies a position in which they are expected to safeguard, or not to act against, the financial interests of another party, dishonestly abuses that position, and intends, by means of abuse of that position to make a gain for themselves or another, or, to cause loss to another or to expose another to the risk of loss.

**Related Offences** - The Fraud Act also contains additional offences that may be considered on a case by case basis: Possession of articles for use in fraud; making or supplying articles for use in fraud; and obtaining services dishonestly.

# Counter Fraud and Corruption Policy

## Bribery

3.4. The definition of bribery is offering or accepting gifts, hospitality or dishonest payments in exchange for goods or services.

3.5. Under the Bribery Act 2010, bribery can be committed by individuals in two main offences;

*Offering, promising or paying a financial, or other advantage to another person to induce that person to perform improperly a relevant function or activity, or to reward that person for the improper performance of such a function or activity, in order to gain an advantage.*

*Requesting, agreeing to receive, or receiving a bribe intending that as a consequent improper duty would be performed, or knowing that acceptance of the bribe is in itself improper.*

In both instances, the bribe is intended to influence performance of a function, which may be carried out before, at the same time, or after the bribe is paid.

3.6. Bribes can take many forms including cash, holidays, event tickets, meals etc. Decisions could relate to among others, recruitment, the award of contracts, planning consents and other awards. Bribes may be paid directly or via a third party.

3.7. The council is deemed a 'commercial organisation' under the Act and therefore can commit an offence by failing to prevent bribery. It is only possible to defend such an allegation if the council has put in place adequate procedures to prevent persons associated with it from undertaking such conduct.

3.8. Neither the council, or, third parties representing the council, will accept nor offer bribes to contractors, suppliers or customers and should act with integrity at all times.

# Counter Fraud and Corruption Policy

## Theft

- 3.9. Theft is defined in the 1968 Theft Act as follows. *'a person shall be guilty of theft if they dishonestly appropriate property belonging to another with the intention of permanently depriving the other of it'*.

**Also relevant to this Policy;**

## Corruption

- 3.10. Corruption does not in itself define a specific crime in the UK, however, is a term used to describe a wide range of unethical behaviour, including fraud and bribery.

## Money Laundering

- 3.11. The process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back to a crime. The Corporate Director of Governance is the council's Money Laundering Reporting Officer (MLRO) as required by the Money Laundering Regulations 2017.

## Cyber Fraud

- 3.12. Cyber Crime is defined as a crime in which a computer is the object of the crime (hacking, phishing, spamming) or used as a tool to commit an offence. Cyber Fraud is specifically any type of deliberate deception for unfair or unlawful gain that occurs online. There are three stages to the perpetration of Cyber Crime, Infection Capture (collection of security information) & Execution.

## Benefit Fraud

- 3.13. Housing Benefit and Council Tax Benefit are administered by the council, on behalf of the Government. They are paid to people who are liable to pay rent and/or Council Tax and who have a low income, whether they are working or not. Benefit fraud is defined as when someone obtains state benefit they are not entitled to or deliberately fails to report a change in their personal circumstances. i.e. failure to disclose financial assets and/or changes to employment or individual(s) residing at a property.

# Counter Fraud and Corruption Policy

## 4. MANAGEMENT OF FRAUD, BRIBERY AND THEFT RISKS

- 4.1. All organisations have an ever-present risk of loss due to fraud, bribery or theft, from sources both internal and external. The council takes a responsible, long term view of the need to continuously develop counter fraud, bribery and theft initiatives and maintain a culture of awareness.

### Culture

- 4.2. The Nolan Committee set out the seven guiding principles that apply to people who serve the public. The council expect members and staff to act in accordance with the Seven Principles of Public Life (Nolan Committee) and these are incorporated within the councillor's Code of Conduct. The Seven Principles are outlined at Appendix 1 of this document.
- 4.3. The council has determined that the culture and ethics of the council are ones of honesty and openness in all its dealings, with opposition to fraud and corruption. The council's members and staff play an important part in creating and maintaining this culture. They are encouraged to raise any matters that concern them relating to the council's methods of operation in accordance with this Counter Fraud & Corruption Policy or the council's Whistleblowing Policy.
- 4.4. The council's Whistleblowing Policy ensures that those raising concerns know they will be treated seriously and their concerns are properly investigated in a confidential and impartial manner. In raising concerns staff can be assured that they will be protected if the disclosure is made in the public interest and will not affect their employment situation or future prospects with the council.
- 4.5. Managers should strive to create an environment in which staff feel able to approach them with concerns they may have about suspected irregularities. If managers and staff are unsure of the appropriate action they should consult with the Audit Services.
- 4.6. The Audit Service is responsible for developing and implementing a fraud, bribery and theft awareness plan, giving consideration to the varying needs of elected members, staff (including new joiners), contractors and members of the public to be aware of the potential fraud risks and actions.
- 4.7. Staff should raise their concerns with the Audit Manager, or in their absence with a member of the Audit Service. Where staff feel unable to raise concerns with the Internal Audit Manager, they can raise their concern with their line manager, who must immediately inform the Internal Audit Manager. Under no circumstances should any investigations be undertaken by management.



# Counter Fraud and Corruption Policy

## Prevention

- 4.8. The council is committed to preventing fraud, bribery and theft through sound governance, internal control and robust employee vetting. The responsibility for implementing adequate controls rests with management.
- 4.9. Employee recruitment is required to be in accordance with procedures laid down by the council. Written references covering the known honesty and integrity of potential staff and where required, evidence of a licence to practice must always be obtained. All qualifications will be verified. There will be an open and fair policy.
- 4.10. Team Managers are responsible for ensuring agencies engaged for the supply of temporary staff have rigorous vetting processes and that references are sought direct from previous clients with regard to the suitability and integrity of the candidate.
- 4.11. Management at all levels are responsible for ensuring that staff are aware of the key Corporate Governance policies and procedures (listed at 1.4. of this document) and that the requirements of each are being met.
- 4.12. The Council has developed and is committed to systems and procedures which incorporate efficient and effective internal controls and which include adequate separation of duties. The Corporate Leadership Team, Extended Leadership Team and Team Managers are required to ensure that such controls, including those in a computerised environment, are properly maintained, documented, communicated to staff and adhered to.
- 4.13. Staff are required to declare any Conflicts of Interest and/or any offers of gifts or hospitality which are in any way related to the performance of their duties to the Monitoring Officer (Corporate Director of Governance) in accordance with the Employee Handbook and the Gifts and Hospitality Policy.
- 4.14. Members are required to operate within the following:-
- Sections 26 – 37 of the Localism Act 2011
  - Councillor's Code of Conduct
  - The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 No. 1464
  - The council's Standing Orders and Financial Regulations.
- 4.15. These matters are specifically brought to the attention of elected members at their induction and subsequent training. Members are required to provide the Monitoring Officer with specific information concerning their disclosable pecuniary interests and to keep that information up to date, as required by sections 29-34 of the Localism Act 2011. The Members Interests Register is held by the Monitoring Officer (Corporate Director of Governance). The Standards and Resources Committee has oversight for compliance with the Code of Conduct by members.

# Counter Fraud and Corruption Policy

## Detection

4.16. The council will participate in the exchange of information between itself and outside bodies to assist with the identification of fraud, bribery and theft. Any such exchange of information will be undertaken in accordance with the principles contained in the Data Protection Act 2018. These may include:

- Police
- External Audit
- Local, Regional and National Auditor Networks
- Staffordshire Counter Fraud Partnership
- Department for Work and Pensions
- Other Local Authorities
- National Fraud Initiative (NFI)

4.17. The council's Audit service will undertake a series of proactive fraud detection exercises designed to detect and deter fraud, bribery and theft in high risk areas through identification and verification of high risk transactions.

4.18 Considerations during Proactive and Reactive Counter Fraud Activity:

Whilst undertaking both proactive and reactive investigations, with the primary objective of preventing, detecting and/or deterring fraud, consideration is given to the following areas:

- Protecting Human Rights
- Avoiding discrimination (unequal treatment of individuals or groups based on protected characteristics)

# Counter Fraud and Corruption Policy

## 5. INVESTIGATION & REDRESS

- 5.1. Fraud, bribery and theft concerns can be reported to the council by employees, suppliers and the public using the contact details identified in Appendix 2.
- 5.2. Members of the Corporate Leadership Team are required by Appendix A Section 3.33 of the Financial Procedure Rules to notify the Director of Finance immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the member of the Corporate Leadership Team should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 5.3. Members of the Extended Leadership Team and/or Team Managers are required to notify the applicable member of the Corporate Leadership Team and/or the Audit Manager if a fraud or other irregularity is discovered or suspected. They should also ensure that any supporting documentation, or, other evidence is secured and confidentially maintained so as not to prejudice any subsequent investigation.
- 5.4. Staff should report any suspected irregularities to their Line Manager or they may use the council's Whistleblowing Policy and Procedure.
- 5.5. Where potential fraud, corruption or bribery is suspected an investigating officer will be appointed to assess all allegations and where appropriate lead an investigation.
- 5.6. Where evidence of fraud, corruption or bribery is identified, consideration will be given to all available sanctions. These may include:
  - Invoking the Council's Disciplinary Procedure, supported by Human Resources.
  - Referral of individuals to professional bodies.
  - Civil recovery of losses.
  - Criminal prosecution, with Police support.
- 5.7. The council's Disciplinary Procedure will be used to facilitate an appropriate investigation of any allegation of improper behaviour by employees of the council.
- 5.8. The Corporate Director of Governance (Monitoring Officer), Director of Finance (Section 151 Officer) and Chief Executive will decide, based on advice from the Audit Manager, appropriate Team Manager and Human Resources (where appropriate) as to whether there are sufficient grounds for the matter to be reported to the Police.
- 5.9. Where a fraud has occurred, management must consider changes to systems and procedures to minimise the risk of similar frauds occurring in the future. Any investigation may highlight where there has been a failure of supervision or a breakdown or absence of control.

# Counter Fraud and Corruption Policy

- 5.10. At the conclusion of the investigation, a report will be prepared and distributed to members of the Corporate Leadership Team, the appropriate member(s) of the Extended Leadership Team and the members of the Audit & Risk Committee. This will include recommendations detailing areas for control improvements.
- 5.11. All significant investigations may be taken into account when assessing the overall governance arrangements as part of the completion of the Annual Governance Statement.
- 5.12. Any allegations against members will be considered and investigated by the Corporate Director of Governance (Monitoring Officer), with support from the Audit Service, External Audit and/or the Police, where considered necessary.
- 5.13. The council is required to report any cases in which it is suspected that transactions involve the proceeds of crime. If staff or managers have any such suspicion, this should be reported immediately to the Director of Finance and/or Corporate Director of Governance, who shall advise on the necessary action and ensure the matter is reported to the appropriate authorities.



# Counter Fraud and Corruption Policy

## 6. ROLES AND RESPONSIBILITIES

- 6.1. Roles and responsibilities for identifying and mitigating against the risk of fraud must be clearly understood and embraced effectively.

**Chief Executive** – The Chief Executive is ultimately accountable for the effectiveness of the Council's arrangements for countering fraud, bribery and theft.

**Corporate Director of Governance (Monitoring Officer)** – The Corporate Director of Governance is responsible for advising members and staff on ethical issues, standards and powers to ensure that the council operates within the Law and Statutory Codes of Practice. The Corporate Director of Governance is the council's Money Laundering Reporting Officer (MLRO).

**Director of Finance (Section 151 Officer)** – The Director of Finance must ensure that the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced effective Audit Service.

**Audit and Risk Committee** – The Audit and Risk Committee is responsible for monitoring the Council's strategies and policies and considering the effectiveness of the arrangements for Counter Fraud and Whistleblowing. The Committee is also responsible for setting and monitoring the Internal Audit (including counter fraud) Plan. The Committee is also responsible for the approval of the Annual Governance Statement.

**Members** – Elected Members are required to operate the council's Constitution including the Code of Conduct in Part 5 and to support and promote the development of a strong counter fraud culture. A declaration and registration must be made with the Corporate Director of Governance and updated regularly, listing disclosable pecuniary interests of the Member and any partner.

**External Audit** – The objective of External Audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material mismanagement, whether due to fraud or error. External Audit are also required to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Internal Audit** – Internal Audit will report on the effectiveness of controls to the Audit & Risk Committee and are responsible for developing and implementing the Counter Fraud and Corruption Policy and investigating any issues reported under this Policy. Internal will also ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this Policy and that action is identified to improve controls and reduce the risk of recurrence.

# Counter Fraud and Corruption Policy

**Corporate Leadership Team, Extended Leadership Team and Team Managers** - Required to promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. They are responsible for ensuring mechanisms are in place within their service areas to assess the risk of fraud, bribery and theft and to reduce these risks by implementing strong internal controls.

When new or revised council policies and procedures are being implemented consideration should be given to associated fraud and corruption risks to ensure that the council continues to prevent, detect and deter fraud, theft and bribery as thoroughly as possible.

When new contracts with suppliers are being set up, to ensure appropriate arrangements are in place to make suppliers and their staff aware of fraud reporting processes, for example reference to this Policy or reporting mechanisms detailed in Appendix 2.

**All employees (including temporary staff)** - Required to comply with all Council policies, procedures and codes of practice, to be aware of the possibility of fraud, corruption, theft and bribery and to report any concerns. (see Appendix 2 for details).

Employees are also expected to comply with Section 117 of the Local Government Act 1972, regarding declaring any interests in contracts that have been entered into or proposed; and any professional obligations issued by Professional Institutes of which they are members.

Employees should act with integrity at all times.

**Suppliers, Partners, Consultants working for/on behalf of the council** – To be aware of the possibility of fraud, corruption, theft or bribery against the council and to report any concerns/suspicions via the reporting facilities detailed in Appendix 2.

# Counter Fraud and Corruption Policy

## APPENDIX 1

### The Seven Principles of Public Life (Nolan Committee)

#### Selflessness

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

#### Integrity

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

#### Objectivity

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

#### Accountability

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

#### Openness

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

#### Honesty

Holders of public office should be truthful.

#### Leadership

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

# Counter Fraud and Corruption Policy

## APPENDIX 2

### HOW TO REPORT ANY SUSPECTED FRAUDS, CORRUPTION, OTHER IRREGULARITIES OR CONCERNS

An individual wishing to report a concern relating to fraud or bribery may wish to stay anonymous. Whilst concerns raised anonymously will be considered and assessed, it is often vital to speak to the source of a concern to obtain additional information once an investigation has started. Therefore we request that contact details are provided wherever possible.

Please do not carry out any additional investigation once a concern of fraud is identified. Failure to follow appropriate investigative procedures may result in valuable evidence becoming unusable in pursuit of criminal sanctions.

Employees of the council wishing to raise a concern should also consider reading the council's Whistleblowing Policy.

#### For all general issues:

- Call Internal Audit Manager on **01785 276401**
- Email Audit via **[susan.bluck@staffordshire.gov.uk](mailto:susan.bluck@staffordshire.gov.uk)**
- Write to Audit Services, South Staffordshire District Council, Codsall Community Hub, Wolverhampton Road, Codsall, Wolverhampton, WV8 1PX

#### For benefit related issues (as per Section 3.13):

- Call the Investigations Team on **01902 696000**
- Email Benefit Fraud externally via **[benefitsInvestigation@sstaffs.gov.uk](mailto:benefitsInvestigation@sstaffs.gov.uk)**
- Telephone the national benefit fraud hotline on **0800 854 440**
- Write to South Staffordshire Benefit Investigation Team, South Staffordshire District Council, Codsall Community Hub, Wolverhampton Road, Codsall, Wolverhampton, WV8 1PX.

If in doubt, then **Protect** will give free and totally independent advice on how to proceed, or call Action Fraud on **0300 123 2040**. More information can be found in the Whistleblowing Policy.

Further information can also be located on the council's web page **[www.sstaffs.gov.uk/council-democracy/corporate-fraud](http://www.sstaffs.gov.uk/council-democracy/corporate-fraud)**



# Counter Fraud and Corruption Policy

**To contact the council's external auditor write to or call:**

Azets  
Regis House  
45 King William Street  
London  
EC4R 9AN  
[www.azets.co.uk](http://www.azets.co.uk)  
email: [Paul.Grady@azets.co.uk](mailto:Paul.Grady@azets.co.uk)

## **What to consider when reporting a fraud or bribery:**

If you choose to remain anonymous, please take time to include as much detail as possible when reporting a concern. Where appropriate, and if known, the following details could help instigate an investigation:

- Where the fraud took place
- How the fraud took place
- When the fraud took place (or timeframe from when fraud may have started)
- Who is committing the fraud/bribery
- Who else may be implicated
- The approximate value of the concern



**South Staffordshire Council**

[www.sstaffs.gov.uk](http://www.sstaffs.gov.uk)

Council Offices  
Codsall  
South Staffordshire  
WV8 1PX

Tel: **01902 696000**  
or email [info@sstaffs.gov.uk](mailto:info@sstaffs.gov.uk)

