

Public Document Pack



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GENERAL PURPOSES COMMITTEE

**Thursday, 19th January, 2023 at 7.15 pm in the Conference Room,
Civic Centre, Silver Street, Enfield, EN1 3XA**

Membership:

Councillor: Mahym Bedekova (Chair), Ayten Guzel (Vice Chair), Elisa Morreale, Esin Gunes, Nawshad Ali, Sabri Ozaydin, Alessandro Georgiou, Michael Rye OBE, Joanne Laban and Peter Nwosu (Independent Person)

AGENDA – PART 1

1. WELCOME & APOLOGIES

2. DECLARATIONS OF INTEREST

To receive any declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING (Pages 1 - 4)

To approve the minutes of the meetings held on 1 December 2022 as a true and correct record.

4. UPDATE ON THE AUDIT OF THE 2019/20 AND 2020/21 STATEMENT OF ACCOUNTS AND PENSION FUND AND PROGRESS ON THE 2021/22 COUNCIL'S ACCOUNTS - INCLUDING BDO (EXTERNAL AUDITOR) REPORT ON STATEMENT OF ACCOUNTS (Verbal Report)

For the Committee to receive a verbal update on the Audit of the 2019/20 and 2020/21 Statement of Accounts and Pension Fund and progress on the 2021/22 Council's Accounts. An update will also be provided by the Council's External Auditors, BDO.

5. CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA) REVIEW ACTION PLAN (Pages 5 - 18)

The report provides an update on the recommendations from the Chartered Institute of Public Finance and Accountancy (CIPFA) review of the General Purposes Committee (GPC), overview of the updated guidance on the role of the Audit Committee and proposed actions in response.

6. TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2023/24 TO 2032/33 (Pages 19 - 120)

The report sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2023/24 to 2032/33, and Annual Investment Strategy (AIS) for the year ended 31 March 2024, together with supporting information for recommendation to Cabinet to review the strategy and to Council to approve the Strategy.

7. AUDIT AND RISK MANAGEMENT SERVICE PROGRESS UPDATE (Pages 121 - 146)

The General Purposes Committee is recommended to note the work completed by the Audit and Risk Management Service during the period 1 April 2022 to 30 November 2022 and the key themes and outcomes arising from this work.

8. COUNTER FRAUD POLICIES (Pages 147 - 218)

The report presents the following policy documents for approval by the Committee:

Counter Fraud Sanction & Prosecution Policy
Whistleblowing Policy & Procedures (incorporating the Model Whistleblowing Policy & Procedures for employees and workers in maintained schools, PRUs, academies and others)
Anti-Money Laundering Policy & Guidance

9. UPDATE OF GENERAL PURPOSES COMMITTEE MEMBER TRAINING COVERED AND ATTENDANCE (Verbal Report)

The Committee to receive a verbal update of General Purposes Committee Member training covered and attendance during the current Municipal Year.

10. DATES OF FUTURE MEETINGS

To note the date of the next meeting is at 7pm on Thursday, 16 March 2023.

GENERAL PURPOSES COMMITTEE - 1.12.2022**MINUTES OF THE MEETING OF THE GENERAL PURPOSES COMMITTEE HELD ON THURSDAY, 1ST DECEMBER, 2022**

MEMBERS: Councillors Mahym Bedekova (Chair), Aytan Guzel (Vice Chair), Nawshad Ali, Hannah Dyson, Alessandro Georgiou, Joanne Laban, Sabri Ozaydin and Michael Rye OBE

OFFICERS: Fay Hammond (Executive Director – Resources), James Newman (Director of Finance - Corporate), Peter George (Director of Development – Place) Terry Osborne (Director of Law and Governance - Chief Executive Department), Lillie Craig (Head of Programme Management Office (PMO), Gemma Young (Head of Internal Audit and Risk Management - Chief Exec Legal Services), (Marie Lowe (Governance and Scrutiny Officer - Chief Executive Department)

ALSO ATTENDING: David Eagles (Partner, BDO, External Auditors) and Sebastian Evans (Audit Manager, BDO, External Auditor)

1. WELCOME & APOLOGIES

Apologies for absence had been received from Cllr Elisa Morreale, who was substituted by Cllr Hannah Dyson.

Apologies for absence had also been received from Cllr Esin Gunes, Peter Nwosu, Independent Member and Lisa Blake, BDO.

David Eagles and Sebastian Evans from BDO were in attendance.

2. DECLARATIONS OF INTEREST

During the discussion which ensued under item 4 – Audit and Risk Management Service Progress Update, Cllr Nawshad Ali advised that he was a Member of the Council's Local Pension Board and Cllr Sabri Ozaydin advised he was a Member of the Council's Pension Policy and Investment Committee.

3. MINUTES OF PREVIOUS MEETING

NOTED that the minutes of the General Purposes Committee meeting held on 20 October 2022 be **AGREED**.

4. AUDIT AND RISK MANAGEMENT SERVICE PROGRESS UPDATE

The Audit and Risk Management Service Progress Update report summarised the results of the work undertaken during the period 1 April 2021 to 31 October 2022 and the continued work to target limited audit resources at the highest priority Corporate and Schools' services.

GENERAL PURPOSES COMMITTEE - 1.12.2022

The Head of Internal Audit and Risk Management provided a verbal update on the actions from the previous meeting in relation to the Audit and Risk Management Service and the Corporate Risk Register.

Members raised the following queries.

Recycling Waste Services Contract, which was due to expire in September 2023, the dates for the lead-in time for the renewal of the contract; clarification who had responsibility that the formal meetings were minuted and whether the performance of the contractor had reached the agreed performance criteria when there were no contract management agreements in place. **ACTION**

CR05 Duty of Care - Passenger Services Operations - Adults

How the samples of the journeys travelled were used to assess the accuracy of the routes taken or not taken against the claims made and invoiced in relation to transport for Adult Social Care. **ACTION**

With the permission of the Chair, the Head of Internal Audit and Risk Management announced that the Internal Audit and Risk Management Team had won the Public Finance Award, for which the Committee commended the members of staff involved.

AGREED that the feedback from the Committee and contents of the report together with the work of the Audit and Risk Management Service be **NOTED**.

5. **UPDATE ON FINANCIAL RESILIENCE/MANAGING THE SAVINGS**

The report provided an overview on the Council's financial resilience and managing the savings.

In response to questions from Members, the Executive Director, Resources advised that a specific review on the significant financial pressures faced by the Council was underway. These included the cost of Special Educational Needs (SEN), an increasing need for education, health, and care plans (EHCPs), the need for additional places within the care system. A report would be taken to the appropriate formal body of the Council.

The Executive Director, Resources undertook to provide inflationary information dating back to 1997, together with information regarding SEN for the last three to four years to provide a data comparison regarding the current position and would resend a list of the Council's loans for the last forty years.

ACTION

AGREED that:

1. The journey of financial resilience to the present time be **NOTED**;
2. The challenge presented by the current high inflationary environment which was exacerbating the Council's (and the

GENERAL PURPOSES COMMITTEE - 1.12.2022

sector's) budget challenge for at least 2022/23 and 2023/24, across revenue and capital be **NOTED**;

3. The approach the Council was taking in closing the 2023/24 budget gap be **NOTED**;
4. The negative direction of reserve balances, after a period of upward trajectory be **NOTED**; and
5. The fragile sector wide funding position and changing nature of the challenge, after 2023/24 was balanced be **NOTED**.

6. UPDATE ON THE AUDIT OF THE 2019/20, 2020/21 AND 2021/22 STATEMENT OF ACCOUNTS AND PENSION FUND

Following the publication of the draft 2021/22 Statement of Accounts (including Pension Fund), the report provided an update on the audit status of each year of open, unaudited accounts for the three financial years 2019/20, 2020/21, and 2021/22.

At the request of the Committee, the representatives from the External Auditor undertook to provide an update on the sector-wide infrastructure assets issue, which remained open whilst CIPFA continued to work on a solution, in January 2023.

AGREED that:

1. The information provided within the report of Officers on the progress of audit of LBE's open sets of accounts since the October meeting of the General Purposes Committee be **NOTED**;
2. The current accumulated backlog of three years of open, unaudited statement of accounts be **NOTED**; and
3. At the submission point of the report, the External Auditor, BDO who had intended to have finalised the audit of the 2019/20 statement of accounts in time for the meeting, barring the sector-wide infrastructure assets had not done so be **NOTED**.

7. DATES OF FUTURE MEETINGS

The next meeting of the General Purposes Committee, scheduled to take place on Thursday, 19 January 2023 would start at the slightly later time of **7.15pm**.

8. EXCLUSION OF THE PRESS AND PUBLIC

AGREED to pass a resolution under Section 100(A) of the Local Government Act 1972 excluding the press and public from the meeting for the items of business listed on part 2 of the agenda on the grounds that they involved the likely disclosure of exempt information as defined in those paragraphs of Part

GENERAL PURPOSES COMMITTEE - 1.12.2022

1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006).

9. MERIDIAN WATER RISK REGISTER UPDATE

The confidential report provided an update on the Meridian Water Risk Register.

AGREED that the report be noted.

The meeting ended at 9.30 pm.

London Borough of Enfield**General Purposes Committee****19 January 2022**

Subject: CIPFA Review Action Plan**Cabinet Member: Cllr Tim Leaver, Cabinet Member for Finance & Procurement****Executive Director: Fay Hammond, Executive Director for Resources****Key Decision: No**

Purpose of Report

1. This report provides an update on the recommendations from the CIPFA review of the General Purposes Committee (GPC), overview of the updated guidance on the role of the Audit Committee and proposed actions in response.

Proposal

2. The General Purposes Committee is recommended to note and comment on the report.

Reason for the Proposal

3. In September 2021, Enfield commissioned CIPFA to undertake an independent review of the General Purposes Committee against the 2018 CIPFA Audit Committee Good Practice Guide. The review was intended to review the operation and effectiveness of the committee in response to feedback from the committee and following discussions between the Section 151 Officer and the Chair of the committee.
4. CIPFA presented the detailed report on the review and recommendations to the GPC meeting on 13 January 2022.
5. Since the review, CIPFA published the 2022 edition of Audit Committees: Practical Guidance for Local Authorities and Police in October 2022.
6. This report provides an update on the recommendations from the CIPFA review of the General Purposes Committee (GPC), overview of the updated guidance on the role of the Audit Committee and proposed actions in response.

Relevance to the Council's Corporate Plan

7. The Council Plan is underpinned by a number of cross-cutting themes, financial resilience and good governance, the regular review of the committee will provide assurances of the effectiveness of the Council's governance framework. Further effective governance, risk management and financial resilience contributes to the ability of the Council to deliver the aims of the Corporate Plan.

Background

8. The General Purposes Committee carries out the Audit Committee function in Enfield and is a key component of good governance. The purpose of audit committees is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.
9. In September 2021, Enfield commissioned CIPFA to undertake an independent review of the General Purposes Committee. The independent review by CIPFA was undertaken against the 2018 edition of the CIPFA Audit Committee Good Practice Guide.
10. The headlines from the review stated “The operation of the General Purposes Committee in the London Borough of Enfield, on balance, works well and to the satisfaction of its members and to the officers who support the committee. Overall, the members of the Committee are content with how the Committee operates and many commended the work of officers. Members felt that they were well supported by officers with many citing that officers were proactive, open, helpful, and transparent in their dealings with the GPC.”
11. CIPFA made several recommendations from the review, which were presented to the January 2022 GPC meeting. The details presented to the meeting are outlined in Appendix A.
12. An update following the review is provided below.

CIPFA Review of Enfield’s General Purposes Committee - Update

13. The overall outcome of the review was positive, providing assurance that the committee was operating well and in line with the good practice guidance.
14. The following themes of potential areas for improvement or further focus emerged from the key findings from the review.

Area	Overview/Update	Next Steps
Annual statement of accounts	The ongoing delays in signing off previous year's accounts was the biggest issue raised by members in the review process. The finalising of the 2019/20 accounts remains of critical importance and concern and a key area of focus for Enfield. Regular update reports continue to be provided to the Committee.	The backlog in the audit of open accounts means that this remains a critical focus of GPC.
GPC annual report	The following recommendations were made in relation to the GPC Annual Report: <ul style="list-style-type: none"> • A record of training offered during the municipal year and member take-up is published in the annual report; • GPC review its effectiveness against the checklist in the guidance as part of the production of the annual report. 	The 2022/23 GPC Annual Report is on the agenda for the March 2023 meeting. It is proposed that the report is revised to incorporate the following: <ul style="list-style-type: none"> • A record of training offered and take-up; • Self-assessment of the effectiveness of the committee using the current CIPFA guidance.
Administration of the GPC and meetings	Several recommendations from the review were in relation to the administration of the GPC and meetings. The relevant recommendations are summarised below: <ul style="list-style-type: none"> • GPC consider additional workshops during the next municipal year • Consider how meetings could be structured to provide more time on key matters agreed with the committee • Consider improved signposting of matters and shorter covering reports 	This should form part of annual review and subsequent future planning.
Training	CIPFA recommended that ensuring GPC members are trained is a matter of high importance in light of recent public interest reports and the Redman Review. In view of the importance of training, Enfield arranged an introduction/refresher training session for members which was delivered by CIPFA in May 2022.	The following additional actions in relation to training are proposed: <ul style="list-style-type: none"> • The training programme for GPC members is set out at the beginning of the municipal year • A skills inventory of GPC members is maintained
Terms of Reference	CIPFA recommended that the Terms of Reference for the committee are reviewed to ensure that they are fully aligned with the CIPFA guidance.	It is proposed that the review is undertaken using the recently published 2022 guidance and the self-assessment of good practice.
Focus on financial resilience	CIPFA recommended the ongoing focus of the Committee around financial resilience and commercial activities. This remains a key area of focus for the Council and continues to be included in the work programme for the Committee.	Financial resilience is currently in the work programme annually.

Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition)

15. CIPFA has recently published an updated 2022 position statement. The statement is supplemented with the 2022 edition of Audit Committees: Practical Guidance for Local Authorities and Police, which was published in October 2022.

Position Statement

16. The position statement sets out the purpose, model, core functions and membership of the audit committee. It represents CIPFA's view on the audit committee practice and principles that local government bodies should adopt. The full position statement can be downloaded from the CIPFA website - <https://www.cipfa.org/services/support-for-audit-committees> .
17. Local authorities are expected to make their best efforts to adopt the principles to enable them to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
18. The statement defines the purpose of the committee as "a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective."
19. The statement reinforces:
- a) Independent and effective model – the importance of the committee being independent of executive decision making to enable it to provide objective oversight and include an independent member;
 - b) Core functions – provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. The specific responsibilities include maintenance of governance, risk and control arrangements; financial and governance reporting; and establishing appropriate and effective arrangements for audit and assurance;
 - c) Audit committee membership – characteristics of audit committee membership;
 - d) Engagement and outputs – regular meetings and engagement with the local authority;
 - e) Audit committee membership – characteristics of audit committee memberships;
 - f) Impact – the committee should evaluate its impact and identify areas for improvement.

2022 edition of Audit Committees: Practical Guidance for Local Authorities and Police

20. The position statement is supplemented with detailed updated guidance including the following supporting documents:
- a) The audit committee member in a local authority
 - b) The police audit committee member (not relevant to Local Authorities)
 - c) Guiding the audit committee – supplement to the audit committee member guidance
 - d) CIPFA Audit Committees Position Statement (2022)
21. Local authorities are encouraged to use the publications to review and develop their arrangements in accordance with the position statement, which includes new expectations following the Redmond Review. The appendices include suggested

terms of reference, a knowledge and skills framework and effectiveness improvement tools.

22. The following appendices are included in the guidance:
 - a) Appendix A – Sector and devolved government guidance
 - b) Appendix B1 – Suggested terms of reference (local authority)
 - c) Appendix C – Audit committee members knowledge and skills framework
 - d) Appendix D – Problem solving difficulties with the audit committee
 - e) Appendix E – Self assessment of good practice
 - f) Appendix F – Evaluating the impact and effectiveness of the audit committee

23. The 2022 guidance includes a new guide “the audit committee member in a local authority”. The aim of this practical guide is to support audit committee members to understand the purpose of the committee and its functions and their responsibilities as members. The guide covers:
 - a) The purpose of audit committees;
 - b) The core functions of an audit committee;
 - c) Possible wider functions of an audit committee;
 - d) Independence and accountability;
 - e) Membership and effectiveness of the audit committee.

24. To ensure that the committee is operating in line with the updated guidance, Enfield has undertaken an initial self assessment of good practice using the 2022. The initial draft assessment is included as Appendix B for wider discussion.

25. Broadly speaking, it is felt that GPC and the way it currently operates meet CIPFA’s latest guidance specification. The recent CIPFA review of GPC has contributed towards this, giving assurance and also anticipating the latest guidance. There are however some areas which require minor attention, in order for LBE to comply comprehensively with the latest specification:
 - a) GPC Terms of Reference should be reviewed to ensure alignment with the 2022 guidance including:
 - i) Addition of a separate statement of purpose based on the statement in the 2022 suggested terms of reference;
 - ii) Update the format of the terms of reference based on the updated wording of the workstreams/key areas as outlined in the 2022 suggested terms of reference (Governance, risk and control; financial and governance reporting; arrangements for audit and assurance and accountability arrangements);
 - iii) Consider further the additional functions to the core areas that currently included in the terms of reference (Procurement and contracts, Constitution and Members Support);
 - iv) Review the wording of the committee functions in line with the suggested terms of reference;
 - b) The annual report should be updated to include a conclusion on the compliance with the CIPFA position statement;
 - c) Impact and effectiveness of the committee should be evaluated as part of the production of the annual report.

Main Considerations for the Council

26. In response to the recommendations from the review and initial self assessment against the updated guidance, the following actions are proposed to ensure the committee is operating in line with the updated guidance and best practice:
- a) Review and update the terms of reference for the committee in line with the 2022 guidance;
 - b) Incorporate the following in the GPC Annual Report moving forward:
 - i) A record of training offered and take-up during the municipal year (see recommendation 5 from the CIPFA review);
 - ii) Evaluation of the impact and effectiveness of the audit committee (see recommendation 6 from the CIPFA review and Appendix F from the 2022 guidance);
 - iii) Conclusion on the compliance with the CIPFA position statement (in line with the updated guidance);
 - c) Update the workplan for the committee to incorporate:
 - i) Consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code (in line with the updated guidance).
27. The Committee are asked to:
- a) Note and comment on the update following the CIPFA review;
 - b) Note the updated 2022 version of the CIPFA audit committee guidance;
 - c) Note and comment on the proposed actions.

Safeguarding Implications

28. There are no specific safeguarding implications arising from the report.

Public Health Implications

29. There are no specific Public Health implications arising from this report.

Equalities Impact of the Proposal

30. None in the context of this report.

Environmental and Climate Change Considerations

31. None in the context of this report.

Risks that may arise if the proposed decision and related work is not taken

32. The report is for noting.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

33. The report is for noting.

Financial Implications

34. None in the context of this report.

Legal Implications

35. There are no legal implications arising directly from this report.

Workforce Implications

36. None in the context of this report.

Property Implications

37. None in the context of this report.

Other Implications

38. None in the context of this report.

Options Considered

39. Not relevant in the context of this report.

Conclusions

40. The committee is asked to note the recommendations in the report, officer responses and proposed actions for further consideration.

Report Author: James Newman

Date of report: 22 December 2022

Appendices

Appendix A: Responses to the review recommendations

Appendix B: Self Assessment

Appendix A – Responses to review recommendations

Key Recommendations	Initial response
<p>1. Where practical, publish a timetable for the closure of the accounts from previous years. Our review has demonstrated that there is wide range frustration amongst members of the GPC over how long it's taking to sign-off previous year's accounts. The longer this matter persists, the more that GPC members are being distracted from focusing on other important Council business.</p>	<p>This recommendation is accepted. BDO annually produce a timetable of their audit plan. The 2020/21 plan is expected to be presented to January 2022 GPC and will be complemented by a Council timetable for further consideration with GPC members as part of next year's planning process.</p>
<p>2. As part of its annual planning process, that the GPC consider additional workshops during the municipal year. These workshops should be framed as "deep dives" around areas requiring further debate and scrutiny (eg, Meridian Water). Many of the members interviewed were complimentary about the balance of standard GPC meetings being interspersed with "deep dive" where members were able to look at a single issue in more detail. A good example of this during 2021 was the workshop on electoral reform. At the start of the municipal year, that the Head of Audit provide GPC members with a briefing on key audit and risk matters that should form part of the GPC's annual work programme.</p>	<p>It is proposed at the start of the municipal year that the committee consider proposing up to three areas for deep dive or thematic review throughout the year at the annual work programme review.</p>
<p>3. As part of GPC planning for next year, consider how meetings could be structured by providing more time on key matters (to be agreed by the Committee). A commonly held frustration was the lack of time available to discuss Part 2 matters. Whilst we realise that it is not always feasible to start with Part 1, switch to Part 2 and revert to Part 1, the GPC (supported by officers) needs to find a solution to ensure that those matters held in private are given sufficient "air time" and that GPC members are satisfied that they've been able to consider such matters, understand them and be able to ask questions. That officers and GPC members work together to develop a plan for three deep dives during the year and that members consider (for some meetings) starting the meeting with Part 2 matters and reverting to Part 1 for the remainder of the meeting.</p>	<p>This recommendation is accepted and will be considered further with GPC members.</p>
<p>4. Consider improved signposting of matters that come before the Committee. Members would welcome shorter covering reports, but improved signposting to make it more obvious what a report is intended for (eg, consideration, information, decision etc). More work needs to be done to ensure that covering reports provide better focus on matters presented to the GPC.</p>	<p>This recommendation is accepted, and improvements will be considered for next year.</p>

Key Recommendations	Initial response
<p>5. Publish, in the GPC Annual Report, a record of training offered during the municipal year along with member take-up. Members' views on GPC-related training was mixed. Some members felt that training was adequate whereas others felt that more regular should be offered. In light of the Croydon Public Interest Report and the Redmond Review, ensuring that GPC members are trained is a matter of high importance. At the start of the municipal year, for officers to set out the training programme for GPC members that will be available during the year. For a nominated officer to maintain a skills inventory of GPC members as the skills pertain to their role on the GPC. See Appendix D of this report which provides an outline of the recommended competency and knowledge levels for Audit Committee/GPC members.</p>	<p>This recommendation is accepted, and a record of attendance at training will be published in the GPC Annual Report next year.</p>
<p>6. As part of the production of the Annual Report, that the GPC review its effectiveness against the checklist at Appendix C to ensure that, on an annual basis, it measures its performance with best practice and addresses and areas of concern.</p>	<p>This recommendation is accepted, and the checklist will be used next municipal year.</p>
<p>7. Further consider the matter of financial resilience. CIPFA understands that this is discussed at GPC and indeed the Treasury Management Strategy has been tabled this year (before being presented to Cabinet). Financial resilience is a matter where many councils are now providing more focus and Enfield should consider if matters relating to the Council's overall financial resilience should be a more regular feature of GPC focus. As part of the GPC review, CIPFA have reviewed a number of reports presented to the GPC over the last two years. These reports include a Finance Resilience Update – October 2019, Annual Review of Financial Resilience – March 2021 and Capital Expenditure and Sensitivity of Interest Rates – March 2021.</p>	<p>This recommendation is accepted. Financial Resilience is a key area of focus for the Council and will continue to be a regular area for GPC focus.</p>
<p>8. (Relating to Recommendation 2 above) across local government, there is now more focus on the commercial activities undertaken by councils. With this in mind (and reference to Croydon and Nottingham PIRs) that the GPC consider more focus on companies, commercial aspects of the Council and loans in the next municipal year.</p>	<p>This recommendation is accepted, and will be added to the annual work programme review.</p> <p>Please note, the Finance and Performance Panel and considering Company Business Plan and Performance at December 2021 meeting.</p>
<p>9. Regarding the GPC's current terms of reference (TOR), it is recommended that the TOR be reviewed to ensure that they are fully aligned to the CIPFA guidance. Further details are provided in the notes at Appendix C.</p>	<p>This recommendation is accepted, and the TOR will be reviewed for the next municipal year.</p>

APPENDIX E

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 																									
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 																									
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 																									
Functions of the committee																									
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?																									
Governance arrangements																									
Risk management arrangements																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 																									
Annual governance statement																									
Financial reporting																									
Assurance framework																									
Internal audit																									
External audit																									
10 Over the last year, has adequate consideration been given to all core areas?																									
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?																									
12 Has the committee met privately with the external auditors and head of internal audit in the last year?																									

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?

- Separation from executive
- A size that is not unwieldy and avoids use of substitutes
- Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation

14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?

15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?

16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?

17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?

18 Is adequate secretariat and administrative support provided to the committee?

19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?

21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?

22 Are meetings effective with a good level of discussion and engagement from all the members?

23 Has the committee maintained a non-political approach to discussions throughout?

Good practice questions	Does not comply					Fully complies
	Partially complies and extent of improvement needed					
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of answers	0	1	2	3	5	
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?						
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?						
26 Do audit committee recommendations have traction with those in leadership roles?						
27 Has the committee evaluated whether and how it is adding value to the organisation?						
28 Does the committee have an action plan to improve any areas of weakness?						
29 Has this assessment been undertaken collaboratively with the audit committee members?						
Subtotal score						
Total score						
Maximum possible score						200**

** 40 questions/sub-questions multiplied by five.

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London Borough of Enfield**GENERAL PURPOSES COMMITTEE****Meeting Date: 19th January 2023**

Subject: Treasury Management Strategy Statement for 2023/24 to 2032/33**Cabinet Member: Cllr Leaver****Executive Director: Fay Hammond****Key Decision:**

Purpose of Report

1. This report sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2023/24 to 2032/33, and Annual Investment Strategy (AIS) for the year ended 31 March 2024, together with supporting information.
2. The CIPFA Code of Practice for Treasury Management in Public Services (the "TM Code") requires the Council to determine its Treasury Management Policy and Strategy for 2023/24 and the following 3 years.
3. The Local Government Act 2003 also requires Local Authorities to adopt Prudential Indicators and Minimum Revenue Provision Statements.
4. The TMSS and AIS form part of the Council's overall budget setting and financial framework and will be finalised and updated as work on the Council's 2023/24 budget is progressed in January and February 2023.
5. The Annual Treasury Management Strategy Statement sets out the Council's strategy for ensuring that:
 - its capital investment plans are prudent, affordable and sustainable;
 - the financing of the Council's capital programme and ensuring that cash flow is properly planned;
 - cash balances are appropriately invested to generate optimum returns having regard to security and liquidity of capital.
6. The Council's cashflow management, use of banks, investments and borrowing is governed by the Treasury Management Strategy (TM Strategy)
7. The Investment strategy will continue to give priority to security and liquidity of investment capital over return. It will also be prudent and transparent.

8. The strategy assumes significant growth of external borrowing to support the Council's ambitious 10 Year Capital Programme. The figures in this report reflect the Ten Year Capital programme being presented to Cabinet on 16th February for recommendation on to Council 24th February for approval.

Proposal

9. The committee is recommended to:
 - a. Recommend to Cabinet to review the strategy and to Council to approve the Strategy
10. Note the General Purposes Committee will:
 - i) Receive, review and approve the Treasury Management Practices annually, attached to this report as Annex B; and
 - ii) Receive and review quarterly Treasury Management monitoring reports.

Reason for Proposal

11. To promote effective financial management relating to the Authority's borrowing and investment powers contained in the Local Government Act 2003, and supporting regulations and guidance detailed below:
 - the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended),
 - CIPFA Prudential Code and Treasury Management Code of Practice 2021
 - DLUHC (Previously MHCLG) Investment and MRP Guidance 2018
12. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy and to mitigate these risks.
13. For 2023/24, the TMSS is in the same format as 2022/23 whereby it maintains the 10 year capital programme horizon extension which is beyond the required minimum. This reflects the Council's priority to ensure that revenue budgets are sustainable in the longer term. Due diligence has been carried out on the ten year capital programme projects; it should be recognised that these are provisional estimates, undertaken to inform and support the development of a robust, affordable and sustainable Treasury Strategy. The Capital Strategy has not been finalised and estimates here will therefore change.

Relevance to the Council's Corporate Plan

14. Good homes in well-connected neighbourhoods.
15. Build our Economy to create a thriving place.

16. Sustain Strong and healthy Communities.

Background

17. The Council is required to receive and approve, as a minimum, three main reports each year. which incorporate a variety of policies, estimates and actuals:

- i. A **treasury management strategy statement** (Annex 1 to this report) – it covers:
 - the treasury management strategy (how the investments and borrowings are to be organised), including treasury indicators; and
 - in addition, Council will approve
 - a. capital spending plans (including prudential indicators);
 - b. a minimum revenue provision (MRP) policy, (how borrowing will be paid for via revenue over time);
 - c. an investment strategy report (detailing the Council's service investments and the parameters on how investments are to be managed).
- ii. A **mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- iii. A **treasury outturn report** – This provides details of annual actual prudential and treasury indicators and annual actual treasury operations compared to the annual estimates within the strategy.

18. Capital Strategy – in addition to the three main treasury management reports, the CIPFA 2017 Prudential and Treasury Management Codes introduced a requirement for all local authorities to prepare a capital strategy report which provides the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

19. The aim of the Capital Strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

20. **Scrutiny** – The above reports are required to be adequately scrutinised, normally before being recommended to Council, with the role being undertaken by the General Purposes Committee (GPC). The Council has complied with the CIPFA Treasury Management Code of Practice to the

extent that all Treasury Management reports have been scrutinised though the efficient conduct of the Council's business may require consideration by GPC subsequent to consideration by Cabinet/Council.

21. The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 Officer. Further details of delegated responsibilities are given in Appendix D.
22. The Council uses Arlingclose Limited as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and officers will ensure that undue reliance is not placed upon the external service providers.
23. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training will be arranged as required. The training needs of treasury management officers are also periodically reviewed.

The Strategy for 2022/23 and the Current Borrowing & Investment Position and Performance

24. The Strategy for 2022/23 was approved by the full Council in February 2022 and set the following objectives: -
 - i. The minimum Fitch credit ratings for the Council's investment policy:
 - Short Term: 'F1'
 - Long Term: 'A-'
 - ii. Investments stood at £100.3m as of 31st December 2022 with £25m invested in Deutsche, £24.9m in Aberdeen, £20.1m in Federated, £5.4m in Aviva and £25m in CCLA money markets fund (MMF).
 - iii. Average investments outstanding for the period (to 31 December 2022) was £65m with average return up to 31 Dec of 1.07%. Returns have increased through the year, currently standing at an annualised 3.3%.
25. The Council's original debt forecast for 2022/23 was initially £1,328m but has been revised down to £1,165m due to less than forecast spend on the capital programme. This was in part due to some projects pausing and re-evaluating financial viability and value for money in light of changing economic circumstances. As at 31st December 2022, borrowing stood at £1,102.5m, including £50m of PWLB new borrowing raised 14th December 2022.
26. The below table 1 show the position of the Council outstanding borrowing and investments for this financial year to 31 December 2022.

Table 1: borrowing and investments as at 31 Dec 2022

Instrument	Balance as at 31 Dec	Average balance	Interest Received / (Paid)	Average Rate of Interest
	£m	£m	£m	%
Cash Deposits	100.3	65	1.0	1.1
Loans to Enfield Companies	144.7		2.4	3.0
Borrowings	1,102.0		(18.7)	2.5

27. As at 31st December 2022 the Council has £1,102.5m of borrowing in total. This is split between £1,004m in Long Term Loans (90%) and £98.5m (10%) held as Short Term Loans.
28. The Council did not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
29. The Council's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Treasury Management Strategy 2023/24

30. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash revenue expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
31. The Council will also achieve optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to lend on and make a return is unlawful and the Council will not engage in such activity.
32. The Treasury Management Strategy Statement covers the three main areas:
- (ii) **External and local context**
 - (iii) **Borrowing Strategy**
 - (iv) **Treasury Investment Strategy**

33. These Treasury Management elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance. This Annual Treasury Management Strategy covers only those investments arising from the Council's cash flows and debt management activity. The power to invest is set out in Section 12 of the Local Government Act 2003. In accordance with the Treasury Management Code, Investment Guidance and recognised best practice guidelines, the security and liquidity of funds are placed ahead of investment return/yield.
34. It is not considered necessary to produce a separate treasury management strategy for the Housing Revenue Account (HRA) in light of the co-mingling of historic debt and investments between HRA and the General Fund. Where appropriate, details of allocations of balances and interest to HRA are contained in this report.

Interest Forecast

35. The Council's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.
36. For the purpose of setting the budget, it has been assumed that new long-term loans will be initially borrowed at an average rate of 4.25% during financial years 2022/23 to 2023/24; and 4% from 2024/25 onwards, and that any treasury investments will be receive an average return of 3.5%. Project financial viability is assessed separately using a higher discount rate depending on the proximity and duration of the project.

Capital Expenditure, Capital Programme and Prudential Borrowing

37. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.
38. The figures and tables in this report and the Treasury Management Strategy Statement (Annex 1) are based on the current draft of the Capital Programme that will be reported to Cabinet and Council in February. The Programme and assumptions are still in development and there may therefore be substantial changes prior to the final version going to Council for approval. For example, officers are doing further due diligence on the realistic deliverability of the capital investment planned for 2023/24.
39. The Council has an increasing Capital Financing Requirement due to the requirements of the Council's Capital Programme and is currently forecast to borrow around £836m over the 10-Year period forecast (2023/24 to 2032/33) to finance the capital programme and refinance maturing debt. This figure is subject to further due diligence, however, it is likely to remain below the borrowing requirement of the previous ten year capital programme.

40. Projects in the capital programme are being reviewed and are adapting to changed economic conditions. For example, projects financial viability is being re-evaluated due to significant inflation and interest cost rises.
41. The current long term borrowing rate from the Public Works Loan Board is 4.60% (in comparison to 2.25% this time last year) (EIP loans) for 25 years. Local authorities also lend to each other – a 1 year loan would be around 0.30% cheaper than the 25 year PWLB rate (but would not fix rates for the long term).

The Council's borrowing need (Capital Financing Requirement)

42. The second prudential indicator is the Council's Capital Financing Requirement (CFR). CFR measures the underlying need to borrow for capital purposes, while usable reserves and working capital are the underlying resources available for investment.
43. The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
44. The CFR includes any other long-term liabilities (e.g., PFI or finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a funding facility and so the Council is not required to borrow separately for them. The Council currently has £26m of such schemes within the CFR.
45. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.
46. The affordability of the capital programme has been calculated based upon the assumption that internal borrowing would occur initially, followed by PWLB borrowing and Short Term Borrowing.
47. On 31st December 2022, the Council had total debt of £1,102.5m arising from its revenue and capital income and expenditure.

Table 3: Balance Sheet Summary and Forecast [Using DRAFT Capital Programme Figures]

	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.33 Forecast £m
General Fund CFR	1,063.9	1,146.4	1,205.7	1,223.8	1,246.0	1,229.0	1,143.7
HRA CFR	306.2	379.9	437.9	450.9	450.9	451.4	604.3
Total / Borrowing CFR	1,370.0	1,526.3	1,643.6	1,674.7	1,697.0	1,680.4	1,748.0
PFI Liability	26.3	22.1	17.7	13.8	10.7	7.5	(0.0)
Total Debt CFR	1,396.4	1,548.4	1,661.3	1,688.5	1,707.7	1,687.9	1,748.0
Less: Internal borrowing	(231.6)	(87.5)	(171.1)	(197.5)	(222.1)	(219.7)	(216.2)
External borrowing	1,164.7	1,460.9	1,490.1	1,491.0	1,485.6	1,468.2	1,531.9
Existing Borrowing Profile							
Existing Borrowing Profile	1,063.0	975.7	946.4	917.3	888.5	846.2	696.1
Cumulative new Borrowing to be raised (inc refinancing maturing borrowing)	101.6	485.2	543.8	573.7	597.1	622.1	835.7

48. The forecast requirement to borrow up to £835m in total from 2023/24 to 2032/33 is shown in the Table 2 above. For the financial year 2022/23, the Council is forecast to require a further £62.2m of borrowing, as shown in table 3 above, to refinance matured loans and finance its capital programme.
49. It can be seen from the above table 3; the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash from the Council's reserves, balances and cash flow has been used as a temporary measure, this tactic is termed **internal borrowing**. This reduces interest costs as it delays the need to borrow externally.
50. In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years.

Minimum Revenue Provision (MRP)

51. When the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.
52. While no MRP is required to be charged in respect of assets held within the Housing Revenue Account, the Council may provide for a voluntary MRP charge so that all schemes undertaken are viable (i.e., repay all their debt over an appropriate period) and so that the HRA maintains borrowing capacity for future years.
53. Capital expenditure financed from borrowing incurred during one financial year will not be subject to an MRP charge until the asset moves into operation, except where the Section 151 officer deems it appropriate to charge it an earlier date.
54. Government Guidance requires that an annual statement on the Council's policy for its MRP should be submitted to Council for approval before the start of the financial year to which the provision will relate. Based on the Council's latest estimate of its Capital Financing Requirement (CFR) on 31st March 2023, the MRP for 2023/24 is estimated to be £21.2m.
55. MRP Overpayments - A change introduced by the revised 2018 MHCLG (now DLUHC) MRP Guidance was the allowance that any charges made over the statutory MRP required, referred to as an overpayment and itemised as a voluntary revenue provision (VRP) can, if needed, be reclaimed in later years if deemed necessary or prudent.
56. Currently, provision for repaying debt associated with Meridian Water is only being set aside for the expenditure on the station. In line with current guidance, the remaining debt is assumed to be repaid through future capital receipts from the project. However, the current economic climate and risk outlook has changed and therefore, future consideration will need to be made for a potential need to make appropriate debt repayment provision following review of the Meridian Water model due in Spring 2023.

Core funds and expected investment balances

57. The application of resources (grants, capital receipts etc.) to finance capital expenditure or budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).
58. Interest rates are forecast to be much more stable during 2023/24. But expenditure is less certain: capital projects are adapting to the new economic environment, so there is a higher degree of uncertainty about the cash flow to be required at any given time. In this environment, our borrowing strategy is going to be 'little and often, minimising cash balances' i.e.:

- a. Closer focus and engagement with project managers on cash flow forecasting (focusing on large payments and the month ahead)
- b. Keeping £30m cash available in short-term investments as a buffer, eg for example, to meet payroll runs
- c. When the balance goes below £30m and is forecast to stay below £30m, borrowing the forecast amount required for the following two weeks using short term borrowing, provided that the proportion of short term borrowing does not make up more than x% of the total debt
- d. Borrowing long term to 'fix' short term borrowing when it is going to mature.

Treasury Management Practices (TMPs)

59. The Council has reviewed and revised its Treasury Management Practices (TMPs) Principles and Schedules to be in line with the Treasury Management (TM) Code 2021 and the DLUHC's Investment Guidance 2022. The TMPs is being review on an annual basis by General Purposes Committee (GPC) as part of its audit and assurance remit. The GPC also have the scrutiny responsibility for Treasury Management (TM), hence the TM Quarterly Monitoring report with key performance indicators (Treasury Management Indicators and Prudential Indicators) will also be tabled before this Committee on a quarterly basis.

National Context

IFRS 9 statutory override

60. The Treasury Adviser - Arlingclose heard informally that the IFRS 9 statutory override for fair value gains and losses on pooled investment funds will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. They expect DLUHC to publish a formal consultation response shortly and then to lay regulations before Parliament. Officers will continue to monitor the development of this issue and DLUHC response as over 90% of the Council's cash deposit is placed in Money Market Funds (MMFs), and this is a pooled investment.
61. **Environmental, social and governance (ESG) Policy**
62. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.
63. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated

by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

64. **Municipal Bonds Agency (MBA):** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from this Agency will therefore be the subject of a separate report to full Council.
65. Any future borrowing through the MBA would be preceded by due diligence and scrutiny of the legal terms and conditions of the arrangement and is satisfied with them.

Safeguarding Implications

66. No safeguarding implications arising from this report.

Public Health Implications

67. The Council's Treasury Management indirectly contributes to the delivery of Public Health priorities in the Borough.

Equalities Impact of the Proposal

68. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole Borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

69. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

70. There is inevitably a degree of risk inherent in all treasury activity.
71. Treasury operations are undertaken by nominated officers within the parameters prescribed by the Treasury Management Policy Statement as approved by the Council.
72. The Council is ultimately responsible for risk management in relation to its treasury activities. However, in determining the risk and appropriate controls

to put in place the Council has obtained independent advice from Arlingclose who specialise in Local Authority treasury issues.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

73. Not approving the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Council's treasury activities.

Financial Implications

74. This report provides Treasury Management budgets for 2023/24 and forecasts for 2024/25 to 2032/33 financial years.
75. The Council held outstanding investments of £100.3m as of 31st December 2022. This portfolio has receivable interest of £1m to 31st December 2022. The investment practices and duration of investments is being currently being reviewed to increase the return on any cash held until required while maintaining the security of investments.
76. The impact of the TMSS is reflected in the five year MTFP report as follows: £15m growth in revenue budgets from 2022/23 to 2027/28. The table below demonstrates the impact on revenue and how the financing reserves act to protect the General Fund budget.
77. Detailed breakdowns of the interest budgets including the Housing Revenue Account charges can be reviewed in the Treasury Management Strategy Statement in Table 4.

Legal Implications

78. The Council will be in breach of the CIPFA TM code if it does not approve the strategy before the start of the year.
79. The Local Government Act 2003 ('the 2003 Act') provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.
80. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') require the Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Treasury Management Code") in carrying out capital finance functions under the 2003 Act. If after having regard to the Treasury Management Code the Council wished not to follow it, there would need to be some good reason for such deviation.

81. It is a key principle of the Treasury Management Code that an authority should put in place “comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities”. Treasury management activities cover the management of the Council’s investments and cash flows, its banking, money market and capital market transactions, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks. It is consistent with the key principles expressed in the Treasury Management Code for the Council to adopt the strategies and policies proposed in the report.
82. The report proposes that the Treasury Management Strategy will incorporate prudential indicators. The 2003 Regulations also requires the Council to have regard to the CIPFA publication “Prudential Code for Capital Finance in Local Authorities” (“the Prudential Code”) when carrying out its duty under the Act to determine an affordable borrowing limit.
83. The Prudential Code specifies a minimum level of prudential indicators required to ensure affordability, sustainability and prudence. The report properly brings forward these matters for determination by the Council. If after having regard to the Prudential Code the Council wished not to follow it, there would need to be some good reason for such deviation.
84. The Local Government Act 2000 and regulations made under the Act provide that adoption of a plan or strategy for control of a local authority’s borrowing, investments or capital expenditure, or for determining the authority’s minimum revenue provision, is a matter that should not be the sole responsibility of the authority’s executive and, accordingly, it is appropriate for the Cabinet to agree these matters and for them to then be considered by Council.
85. The report sets out the recommendations of the Executive Director of Resources in relation to the Council’s minimum revenue provision, treasury management strategy and its annual investment strategy. The Executive Director of Resources has responsibility for overseeing the proper administration of the Council’s financial affairs, as required by section 151 of the Local Government Act 1972 and is the appropriate officer to advise in relation to these matters.
86. Due to financial impacts of the Covid-19 pandemic, the Government made regulations in November 2020 permitting local authorities to balance their budgets over three years (2021-2024) rather than one. The ‘collection fund’ is the account in which a local authority places its council tax and business rates income. The regulations apply only to budget shortfalls accumulated in 2020-2021. Where authorities have such a deficit, the regulations state that they must spread it across the three years in question. The Government has published guidance and a ‘deficity spreading tool’ to assist local authorities to calculate whether they are eligible for these provisions.
87. When considering its approach to the treasury management matters set out in the report, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share

a protected characteristic and those who don't (the public sector equality duty).

Workforce Implications

88. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance and having a significant reduction in cost of borrowing will allow the Council to meet this obligation more easily and could also make resources available for other corporate priorities.
89. This report helps in addressing value for money through benchmarking the Council's performance against other Local Authority and London boroughs.

Property Implications

90. None

Other Implications

91. None

Options Considered

92. The CIPFA TM code require that the Council establishes arrangements for monitoring its investments and borrowing activities hence the performance and activities of the Council's treasury operations is being reported to this Committee on a regular basis.

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Date of report 16th December 2022

Appendices

Annex 1 – Treasury Management Strategy Statement For 2023/24
Annex 2 – Enfield Council's Treasury Management Practices (TMPs)

Background Papers

The following documents have been relied on in the preparation of this report:

- i) TM Strategy Statement 2022/23 (Approved by Council February 2022)
- ii) Section 3 Local Government Act 2003
- iii) Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- iv) MHCLG Guidance on Minimum Revenue Provision (fourth edition) February 2018
- v) MHCLG Capital Finance Guidance on Local Government Investments Feb 2018
- vi) CIPFA Prudential Code for Capital Finance in Local Authorities, 2017

Enfield Council Treasury Management Strategy - 2023/24

Contents:

Section	
1.	Introduction
2.	External Context: Interest Rate Forecast
3.	Local Context
4.	Liability Benchmark
5.	Borrowing Strategy
6.	Treasury Investment Strategy
7.	Treasury management prudential indicators
8.	Related matters
9.	Financial Implications
10.	Other Options Considered

Appendices:

Appendix A.	Existing Investment & Debt Portfolio Position
Appendix B.	Prudential Indicators
Appendix C.	Minimum Revenue Provision
Appendix D.	Treasury Management Delegations and Responsibilities

Treasury Management Strategy Statement 2023/24

1. Introduction

- 1.1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. Borrowing arises from spending on the Council's Capital Programme; this report should be considered alongside the Ten Year Capital Programme. The Council has borrowed and/or invested substantial sums of money and is therefore exposed to potential financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 1.3. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet revenue cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.4. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.5. CIPFA defines treasury management as:
"The management of the local Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.6. Investments held for service purposes or for cashflow purposes are considered in a different report, the Investment Strategy (**Section 4**).

2. External Context: Interest Rate Forecast

- 2.1. The Bank of England's Monetary Policy Committee (MPC) remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.
- 2.2. Following the exceptional 75bp rise in November, the Council's Treasury advisor, Arlingclose, believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.
- 2.3. The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC is expected to cut Bank Rate.
- 2.4. The Council's long term borrowing comes primarily from the Public Works Loan Board. Interest rates are set by applying a margin to gilt yields. Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.
- 2.5. Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales will maintain yields at a higher level than would otherwise be the case.
- 2.6. For the purpose of setting the budget, it has been assumed that new long-term loans will be initially borrowed at an average rate of 4.25% during financial years 2022/23 to 2023/24; and 4% from 2024/25 onwards, and that any treasury investments will be receive an average return of 3.5%.

3. Local Context

- 3.1. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for internal borrowing or investment. The Council's current strategy is to use internal borrowing to reduce the total interest costs by delaying the need for external borrowing.
- 3.2. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators. In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years.
- 3.3. On 31st December 2022, the Council held £1,102.5m of borrowing and £100.3m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below.

Table 1: Forecast Capital Financing Requirement and Borrowing [to be updated from Capital Programme paper]

	31.3.23	31.3.24	31.3.25	31.3.26	31.3.27	31.3.28	31.3.33
	Forecast £m						
General Fund CFR	1,063.9	1,146.4	1,205.7	1,223.8	1,246.0	1,229.0	1,143.7
HRA CFR	306.2	379.9	437.9	450.9	450.9	451.4	604.3
Total / Borrowing CFR	1,370.0	1,526.3	1,643.6	1,674.7	1,697.0	1,680.4	1,748.0
PFI Liability	26.3	22.1	17.7	13.8	10.7	7.5	(0.0)
Total Debt CFR	1,396.4	1,548.4	1,661.3	1,688.5	1,707.7	1,687.9	1,748.0
Less: Internal borrowing	(231.6)	(87.5)	(171.1)	(197.5)	(222.1)	(219.7)	(216.2)
Cumulative External borrowing	1,164.7	1,460.9	1,490.1	1,491.0	1,485.6	1,468.2	1,531.9
Existing Borrowing Profile							
Existing Borrowing Profile	1,063.0	975.7	946.4	917.3	888.5	846.2	696.1
Cumulative new Borrowing to be raised from 1 Apr 2022 (inc refinancing maturing borrowing)	101.6	485.2	543.8	573.7	597.1	622.1	835.7

3.4. The Council is forecasted to hold £1,063.0 million of loans as at 31 March 2023, an increase of £47.9 million on the previous year, which was used to fund the investment in the respective capital programme. Table 1 above shows that the Council expects to have debt up to £1,460.9m in 2023/24. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1,490 million.

3.5. The Council has an increasing CFR due to the requirements of the Council's capital programme and is forecasting to have total debt (internal and external) up to £1,748.0m over the 10-Year forecast period (2023/24 to 2032/33). As detailed in Table 2 below, The Council's 10 year programme is £1,915.4m of which

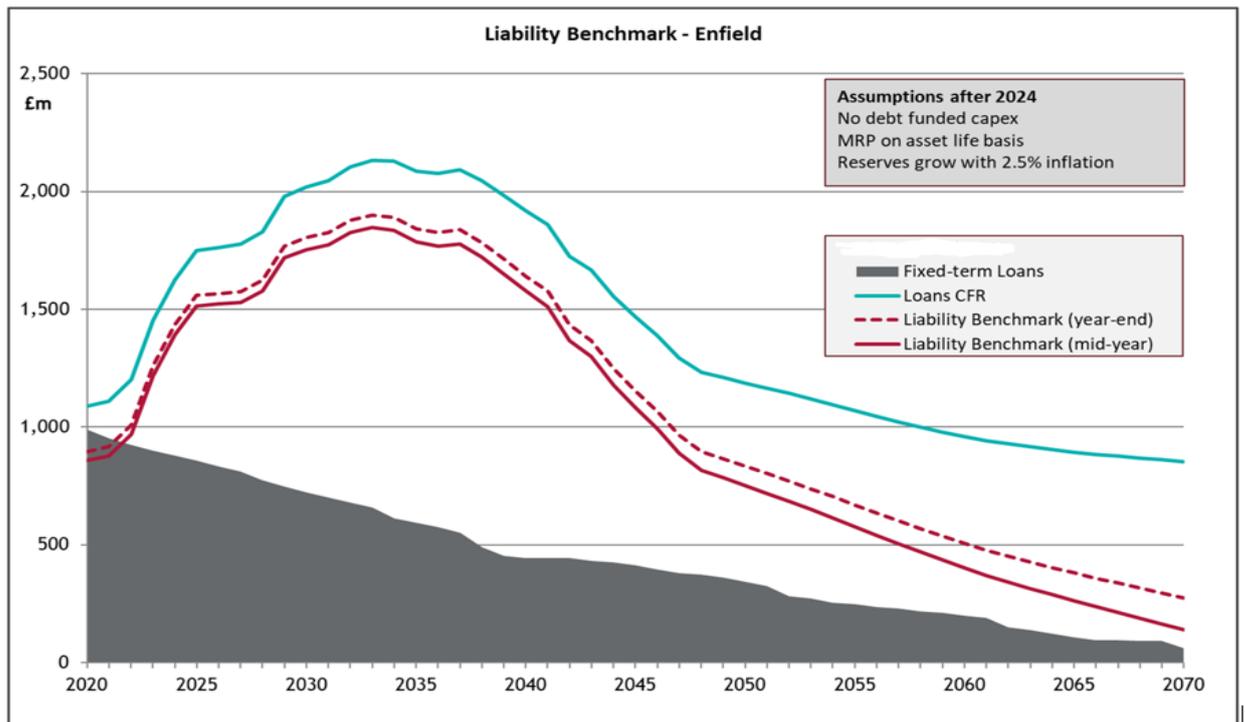
£869.9m is funded through borrowing and over the next 5 years the programme is £1,187.2m of which £514.9m is funded through borrowing.

- 3.6. Table 2 includes outline budgets for projects that will seek detailed approval as the business cases are further developed.
- 3.7. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than the amount of borrowing it needs to finance its programmes (i.e. its highest forecast CFR over the next three years).

4. Liability benchmark

- 4.1. The liability benchmark represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow
- 4.2. The chart overleaf shows the long term borrowing impact of the current ten year capital programme (i.e. for this technical purpose, it assumes that there is no further need to borrow after the expiry of the current ten year capital programme, which in reality would not be the case).
- 4.3. If debt (grey shaded area) exceeds the liability benchmark (red lines), the authority has a cash surplus and is holding on deposit. It is a measure of the Council's existing (and committed) loans portfolio compared with its forecast loan needs. This benchmark should enable the authority to understand and manage its exposure to treasury risks.
- 4.4. The chart shows that the Council currently has cash balances (as the grey area showing existing loans is higher than the red lines showing the liability benchmark). This has been as a result of a strategy of managing treasury risk by fixings some debt at lower rates in anticipation of it being required to fund capital projects in a relatively short timeframe.
- 4.5. Longer term, the debt the Council has committed to stays below the liability benchmark, meaning that further borrowing will be required in the future.

Chart 1: Liability Benchmark



5. Borrowing Strategy

- 5.1. The Council is forecasted to hold £1,063.0 million of loans as at 31 March 2023, an increase of £47.9 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £1,460.9m in 2023/24. The Authority may also borrow additional sums however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1,490.0 million.
- 5.2. **Objectives:** The Council's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 5.3. **Strategy:** The Council's borrowing strategy continues to address the key issue of affordability without compromising the long-term stability of the debt portfolio. Short term PWLB interest rates are currently broadly similar to long term rates.
- 5.4. During a period of interest rate volatility earlier in 2022, Enfield's borrowing strategy has been to borrow up to three months in advance of the cash being required in order to manage risk and refinance maturing debt at relatively lower interest rate where possible. Relatively strong investment income (around 3.3% as at 31 Dec, though lower earlier in the year) reduces the holding cost of debt until it is required.

- 5.5. Interest rates are forecast to be much more stable during 2023/24. But expenditure is less certain: capital projects are adapting to the new economic environment, so there is a higher degree of uncertainty about the cash flow to be required at any given time. In this environment, our borrowing strategy is going to be 'little and often, minimising cash balances' i.e.:
- (i) Closer focus and engagement with project managers on cash flow forecasting (focusing on large payments and the month ahead)
 - (ii) Keeping £30m cash available in short-term investments as a buffer, for example, to meet payroll runs
 - (iii) When the balance goes below £30m and is forecast to stay below £30m, borrowing the forecast amount required for the following two weeks using short term borrowing, provided that the proportion of short term borrowing does not make up more than x% of the total debt
 - (iv) Borrowing long term to 'fix' short term borrowing when it is going to mature.
- 5.6. This strategy will reduce cash balances and give certainty about the quantum of long term borrowing required (as it will be matched to the maturity of short term borrowing). It also gives the Council flexibility to change plans without incurring the cost of holding debt that is not required.
- 5.7. This strategy will be tweaked and adapted as and when required. This approach will be actively managed to prevent exposure to re-financing risk. Re-financing risk is the risk of interest rates moving in the future that will result in refinancing short-term loans or internal borrowing being more expensive than the present time.
- 5.8. The above strategy will allow the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis.
- 5.9. The Authority has previously raised the majority of its long-term borrowing from the PWLB and short term borrowing from other local authorities. Enfield will continue to horizon-scan and investigate potential alternative financing options, but PWLB is likely to remain the cheapest and lowest risk option for long term borrowing.
- 5.10. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.
- 5.11. **Sources of borrowing:** The approved sources of long term and short-term borrowing are:
- i. HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - ii. any institution approved for investments (see below)
 - iii. any other bank or building society authorised to operate in the UK
 - iv. any other UK public sector body
 - v. UK public and private sector pension funds (except the London Borough of Enfield Pension Fund)

- vi. capital market bond investors
- vii. UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
- viii. Mayor of London Energy Efficiency Fund (MEEF)
- ix. Energy Efficiency Fund (LEEF)
- x. European Investment Bank (EIB)
- xi. Insurance Funds

5.12. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- i. Leasing and hire purchase
- ii. Private Finance Initiative
- iii. sale and leaseback

5.13. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

5.14. **LOBOs:** the authority does not hold any Lender's Option Borrower's Option loans.

5.15. **Short term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

5.16. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity. This results in the Council either paying a premium (additional cost) to prematurely repay the loan or receiving a discount (refund of cost by PWLB). Premiums and discounts are calculated according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. Currently, PWLB early redemption fees are high and it is unlikely that a saving can be made by early redemption. The Council will keep debt rescheduling opportunities under review and update Members as part of the treasury management reporting cycle throughout the financial year.

5.17. **Other Options:** The Council will continue to consider a wide range of financing options, as shown in the table below, such as leasing assets in an income strip arrangement for a shorter period than the asset life (30 years) in order to retain the asset for the Council, while reducing the debt.

Table 3: Borrowing Options

	PWLB	Short Term LA	Commer-cial Paper	LA Bills	Long Term LA	Bank Loans	Private Place-ment	MBA	Public Bonds	Income Strip
Size	Any	<£10m	£100m	<£10m	<£10m	>£5m	>25m	?	>£200m	>20m
Interest	V, F	V	V	V	V, F	V, F, I	V, F, I	F?	F, I	F, V, I
Maturity	<50yr	<1yr	<1yr	<1yr	?	<10yr	10 to 50yr	?	10yr +	10yr +
Repayment	M, A	M	M	M	M, A	M, A	M, A	M?	M, A	M, A
Tradeable	No	No	Yes	Maybe	Maybe	Maybe	Maybe	Yes	Yes	No
Credit Assessment	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Legal Documents	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Process	Easy	Easy	Inten-sive	Mod-erate	Mod-erate	Mod-erate	Mo-derate	Inten-sive	Inten-sive	Intens-ive
Margin	Highest	Low	Low	Low	Medium	Medium	Medium	Medium	Medium	Higher

6. Treasury Investment Strategy

- 6.1. At present the Council does not hold significant level of invested funds. Surplus cash is held in overnight Money Market Funds for ease of accessibility to meet short-term cashflow demands.
- 6.2. The Council plans to have a zero daily current bank closing balance every day ensuring all surplus cash is always appropriately invested.
- 6.3. The level of cash deposit will fluctuate during the course of the year. During 2022/23, the Council on average held £40m in investments. For 2023/24 we aim for lower average cash balances of £35m due to the adapted borrowing strategy as described in section 5.
- 6.4. **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 6.5. **Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

- 6.6. Currently, the Council invests all surplus cash overnight into Money Market Funds. This gives maximum liquidity. Given the recent rise in interest rates, the Council will dedicate more resources to a greater focus on cash flow management which was not cost effective in the previous low-interest rate environment. This may enable us to invest some cash longer term in confidence that it will not be required until then (eg for a number of months) in order to increase returns on that investment without jeopardising liquidity.
- 6.7. The Council is required to have a £10m minimum investments at all times to keep its professional status and access to Money Market Funds and the wider capital markets. This means that £10m can be invested longer term to increase returns while prioritising the security of that investment.
- 6.8. This strategy is likely to lead to a higher diversification in the sectors we invest any cash surpluses in, depending on the returns and conditions (eg we may lend to other local authorities).
- 6.9. The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.
- 6.10. **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 6.11. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 6.12. **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types set out below, subject to the cash limits (per counterparty).

Table 4 - Approved Investment Counterparties and Limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£20m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£25m
Money market funds *	n/a	£15m	Unlimited
Strategic pooled funds	n/a	£10m	£50m
Real estate investment trusts	n/a	£10m	£25m
Other investments *	5 years	£5m	£10m

This table must be read in conjunction with the notes below

A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below

6.13.* **Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

6.14. For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £500,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

6.15. **Government:** Loans to; bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

- 6.16. **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
- 6.17. **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 6.18. **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- 6.19. **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 6.20. **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 6.21. **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 6.22. **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank

companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

- 6.23. **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £800,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- 6.24. **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- (i) no new investments will be made,
 - (ii) any existing investments that can be recalled or sold at no cost will be, and
 - (iii) full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 6.25. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 6.26. **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 6.27. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the

Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested

6.28. Investments that are not for the purpose of treasury management activities (eg lending to wholly owned Council companies) are described in the separate Investment Strategy Report.

6.29. **Investment limits:** The Council will limit the risk of loss from a default from lending to any one organisation (other than the UK Government) will be £15 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Table 5: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country

6.30. **Liquidity management:** The Council uses its own in-house cash flow forecasting software model (Predictor) to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

6.31. The Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

7. Treasury Management Prudential Indicators

7.1. The Council measures and manages its exposures to treasury management risks using the following indicators.

7.2. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each

investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit score	6

- 7.3. **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£35m

- 7.4. **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one year revenue impact of a 1% <u>rise</u> in interest rates	+£4.0m
Upper limit on one year revenue impact of a 1% <u>fall</u> in interest rates	-£4.0m

- 7.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The effect of an increase in interest rates will be mitigated through the Council's risk budget.

- 7.6. **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	30%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	45%	0%
10 years and above	100%	0%

- 7.7. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

- 7.8. **Long-term treasury management investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments (i.e investments with duration in excess of 1 year) will be:

Price risk indicator	2023/24	2024/25	2025/26	No fixed date

Limit on principal invested beyond year end	£25m	£25m	£25m	£0m
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Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

8. Related Matters

- 8.1. The CIPFA Code requires the Authority to include the following in its treasury management strategy.
- 8.2. **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 8.3. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 8.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 8.5. In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 8.6. **Housing Revenue Account:** On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. New long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred

between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk. This is currently under review, as going forward keeping the historical HRA debt separate seems appropriate but it would be simpler and cheaper for both funds for the remaining debt to be split on a financing requirement basis, as it would prevent unnecessary borrowing.

- 8.7. **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Director of Finance believes this to be the most appropriate status.

9. Financial Implications

- 9.1. For the General Fund:

The budget for investment income in 2023/24 is £1.0m, based on an average investment portfolio of £35m at an interest rate of 3%. The budget for debt interest paid in 2023/24 is £[X] million, based on an average debt portfolio of £[X] million at an average interest rate of [X]%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different and split between the General Fund and HRA.

- 9.2. For the HRA:

- 9.3. The budget for investment income in 2023/24 is £[X] million, based on an average investment portfolio of £[X] million at an interest rate of 3%. The budget for debt interest paid in 2023/24 is £[X] million, based on an average debt portfolio of £[X] million at an average interest rate of [X]%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

- 9.4. Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then these revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years.

10. Other Options Considered

- 10.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance (Capital) having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below:

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Existing Investment & Debt Portfolio Position**Table A1 – Outstanding Debt Portfolio Position as of 31st December 2022**

Type of Loan	1 st April 2022	Movement	31 st December 2022
	£m	£m	£m
PWLB	928.3	34.8	963.1
Local Authority	35.0	54.0	89.0
European Investment Bank	7.9	0.0	7.9
GLA	1.2	0.0	1.2
HNIP	21.6	0.0	21.6
LEEF	2.1	(0.5)	1.5
MEEF	15.0	0.0	15.0
SALIX	4.0	(0.9)	3.1
Total	1,015.1	87.4	1,102.5

Table A2 – Outstanding Investment

nts as of 31st December 2022

Type of Loan	1 st April 2022	31 st Dec 2022
	£m	£m
Money Market Funds (MMFs)	95.0	100.3
On-call accounts	0.6	0.0
	95.6	100.3

Appendix B

Prudential Indicators

This report covers the requirements of the 2017 CIPFA Prudential Code to set prudential indicators. This item should be approved by the full Council before the start of the new financial year which is a legislative requirement. The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.

The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Prudential Indicator: Capital Expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans. In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it/estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years.

Table B1 - Capital Expenditure
[to be updated for final capital programme]

	Estimate at P8	Planned	Planned	Planned	Planned	Planned	Planned	Total 10 Yr Capital Program me
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29- 2032/33	£m
	£m	£m	£m	£m	£m	£m	£m	£m
Meridian Water	63.5	109.1	94.0	19.0	26.5	10.8	65.3	324.8
Companies	31.7	28.8	36.9	50.0	17.0	0.0	0.0	132.7
Joyce & Snells (GF)	0.0	0.0	0.0	0.0	0.0	0.0	52.4	52.4
Other General Fund	60.2	113.0	60.5	45.0	27.0	25.5	127.8	398.7
HRA	107.4	162.6	114.2	109.6	56.7	81.0	482.8	1,006.9
Total General Fund	262.7	413.4	305.6	223.6	127.2	117.4	728.3	1,915.4
Financed by:								
External Grants & Contributions	(56.2)	(143.2)	(88.2)	(79.3)	(30.9)	(12.3)	(206.4)	(560.3)
S106 & CIL	(1.9)	(2.0)	(1.9)	(1.9)	(0.7)	(0.7)	(3.3)	(10.4)
Revenue Contributions	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Receipts	(29.1)	(87.1)	(27.8)	(19.6)	(24.1)	(30.7)	(74.0)	(263.4)
Major Repairs Allowance (MRA)	(11.3)	(4.3)	(29.7)	(13.8)	(14.6)	(15.4)	(83.4)	(161.3)
Earmarked Reserves	(13.4)	(2.8)	(2.0)	(5.8)	0.0	(33.5)	(6.1)	(50.3)
Impact on Borrowing	150.7	174.0	156.0	103.1	57.0	24.7	355.0	869.9

Prudential Indicator: Capital Financing Requirement (CFR)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower

than its highest forecast CFR over the next four years. The tables and graph below show that the Council expects to comply with this recommendation during 2022/23.

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Table B2 - Gross Debt and the Capital Financing Requirement
[to be updated for final capital programme]

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£m										
Capital Financing Requirement	1,369.9	1,526.3	1,643.6	1,674.7	1,697.0	1,680.4	1,665.8	1,677.6	1,758.5	1,726.4	1,748.0
PFI & Finance Leases	26.3	22.1	17.7	13.8	10.7	7.5	4.0	1.3	(0.0)	(0.0)	(0.0)
Total Capital Debt Requirement	1,396	1,548	1,661	1,689	1,708	1,688	1,670	1,679	1,759	1,726	1,748
External Borrowing (NET)	1,164.7	1,460.9	1,490.1	1,491.0	1,485.6	1,468.2	1,452.9	1,463.9	1,544.0	1,511.0	1,531.9
Other Long-Term Liabilities	26.3	22.1	17.7	13.8	10.7	7.5	4.0	1.3	(0.0)	(0.0)	(0.0)
Gross Debt	1,191.0	1,483.0	1,507.8	1,504.9	1,496.3	1,475.7	1,456.9	1,465.2	1,544.0	1,511.0	1,531.9

Prudential Indicator: Operational Boundary

The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst-case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Table B3 - Operational Boundary
[to be updated for final capital programme]

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£m										
Borrowing Required	1,164.7	1,460.9	1,490.1	1,491.0	1,485.6	1,468.2	1,452.9	1,463.9	1,544.0	1,511.0	1,531.9
Other Long-Term Liabilities	26.3	22.1	17.7	13.8	10.7	7.5	4.0	1.3	(0.0)	(0.0)	(0.0)
Total Operational Boundary	1,191.0	1,483.0	1,507.8	1,504.9	1,496.3	1,475.7	1,456.9	1,465.2	1,544.0	1,511.0	1,531.9

Prudential Indicator: Affordable Borrowing / Authorised Limit

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Table B4 - Affordable Borrowing / Authorised Limit

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£m										
Operational Boundary	1,191.0	1,483.0	1,507.8	1,504.9	1,496.3	1,475.7	1,456.9	1,465.2	1,544.0	1,511.0	1,531.9
Headroom	291.2	365.2	372.5	372.8	371.4	367.1	363.2	366.0	386.0	377.8	383.0
Total Authorised Limit	1,482.2	1,848.3	1,880.3	1,877.6	1,867.7	1,842.8	1,820.1	1,831.2	1,930.0	1,888.7	1,914.8

Prudential Indicator – Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream and the gross revenue budget for the General Fund and the Housing Revenue Account, respectively. It also exemplifies the element of housing rental that relates to financing costs, this calculation is notional and assumes all other things are equal.

Table B5 - Ratio of Financing Costs to Net Revenue Stream
[to be updated for final capital programme]

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Total GF Financing Costs (MRP & Interest) £m	19.2	33.2	37.6	44.6	48.5	50.0	48.4	47.4	45.5	47.8	46.8
Net Revenue Budget £m	260.3	260.5	273.6	286.6	300.4	304.1	307.8	311.5	315.2	318.9	322.7
General Fund Net Revenue Stream	7.4%	12.7%	13.7%	15.6%	16.1%	16.4%	15.7%	15.2%	14.4%	15.0%	14.5%
Total HRA Financing Costs (Interest) £m	12.2	15.5	18.2	18.7	18.7	18.8	19.2	19.2	23.2	23.8	25.5
Net HRA Revenue Budget £m	63	66	68	73	76	79	80	82	84	85	102
Housing Revenue Account Gross Revenue Budget	19.3%	23.5%	26.7%	25.8%	24.8%	23.9%	23.8%	23.4%	27.6%	27.9%	24.9%

Appendix C

Annual Minimum Revenue Provision Statement (With effect from 1 April 2023)

- 1) When the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Ministry for Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
- 2) The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 3) The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
- 4) The approaches are therefore as follows, with effect from 1 April 2023 will be:
 - a) the principle that the determination of a prudent amount of MRP for any given year will take account of payments made in previous years, and an assessment of whether those payments exceed what the current policy would require in terms of prudence;
 - b) For capital expenditure incurred before 1 April 2008, and for capital expenditure incurred from 1 April 2008 to 31 March 2011, and which is Supported Capital Expenditure (SCE), MRP will be calculated at 2% on a straight-line basis.
 - c) For unsupported borrowing incurred from 1 April 2008 onwards, MRP is calculated based on amortising the amount borrowed over the estimated lives of the assets acquired (or the enhancement made) as a result of the related expenditure using the annuity repayment method in accordance with MHCLG Statutory guidance. A discount rate of 3.50% is used in the annuity calculation.
 - d) MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- e) For assets acquired by leases or the Private Finance Initiative MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- f) Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
- g) For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.
- h) While no MRP is required to be charged in respect of assets held within the Housing Revenue Account, the Council may provide for a voluntary MRP charge so that all schemes undertaken are viable (i.e. repay all their debt over an appropriate period) and so that the HRA maintains borrowing capacity for future years.
- i) For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.
- j) Capital expenditure financed from borrowing incurred during one financial year will not be subject to an MRP charge until the asset moves into operation, except where the Section 151 officer deems it appropriate to charge it an earlier date.
- k) Assets acquired with the intention of onward sale, which will not be used in the delivery of services, will not attract MRP. Capital receipts generated by sale of the asset will be set aside to repay debt that was used to initially acquire the asset in full. Where the debt cannot be extinguished as a result of a shortfall in the capital receipt an MRP charge will be made in accordance with this policy.

- l) Land that has been acquired and held for regeneration purposes, will not immediately be charged MRP where a prudent project business plan forecasts that borrowing will be repaid via future capital receipts or income. If the business plan forecasts that there is likely to be a shortfall, it is prudent to charge voluntary MRP on the forecast shortfall even prior to the asset becoming operational.
- m) Where land is being used for non-regeneration purposes, for example leased out, MRP is chargeable annually.
- n) Capital receipts from the sale of developed land will be used to repay the debt incurred to finance the associated capital expenditure. Where the timing of the capital receipt is unknown or delayed, an MRP charge will be made. A voluntary MRP charge may also be applied where there are opportunities to accelerate debt extinguishment.
- o) Unless a specific justification for another MRP rate is given, the Council's hurdle rate for investment of 3.5% shall be used.
- p) From 1 April 2022 onwards, asset lives for MRP charges will be charged on the following basis, except for schemes in which the asset is already in operation:
 - i) ICT equipment - 5 years
 - ii) Vehicles - 10 years
 - iii) Highways & Transport Assets - 25 years
 - iv) Parks & Landscape - 25 years
 - v) Investment Assets - 40 years unless a business can be made that there is a residual value that means a longer asset life is possible
 - vi) School buildings and community assets - 40 years unless a business case for a specific asset justifies a different lifespan
 - vii) Housing Assets - 50 years
 - viii) Land – 50 years
 - ix) Leased Assets on the basis of the lease asset unless the above categories have a smaller asset life
 - x) All capital expenditure schemes less than £50k will be charged immediately to revenue
- q) Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25 or later.

APPENDIX D

TREASURY MANAGEMENT DELEGATIONS AND RESPONSIBILITIES

The respective roles of the Council, Cabinet, GPC, the Section 151 officer, the Treasury Management Group, the Pensions & Treasury Manager and the Treasury Team are summarised below. Further details are set out in the Treasury Management Practices.

Council

Under the Constitution, the Council is responsible for “decisions relating to the control of the Council’s borrowing requirement.” It agrees the annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

Cabinet

Under the Constitution, the Cabinet “will exercise all of the local authority functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution.” It considers and recommends to Council the annual Treasury Management Strategy Statement and receives a mid-year report and annual outturn report on Treasury Management activities.

General Purposes Committee (GPC)

GPC reviews the Treasury Management Strategy and monitors progress on treasury management in accordance with CIPFA codes of practice.

Executive Director of Resources (Section 151 Officer) & Director of Finance (Capital & Commercial – Deputy Section 151)

Under S151 of the Local Government Act 1972 the Council “shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.” At Enfield, this responsibility is exercised by the Director of Finance (Capital & Commercial).

The Director is responsible for implementing the policies agreed by the Council and Cabinet. Under the Local Government Finance Act 1988 and the Local Government Act 2003 the Director also has responsibilities in respect of budget arrangements and the adequacy of resources. In terms of Treasury Management this means that the financing costs of the Capital Programme are built into the Revenue Budget as are any assumptions on investment income.

The Director chairs the Treasury Management Group and agrees major treasury management decisions, specifically including any borrowing decisions, delegated to officers.

Treasury Management Group

Comprises Executive Director of Resources, Director of Finance (Capital & Commercial Deputy S151 Officer), Head of Capital & Projects, Pensions and Treasury Manager, Finance Officer and is responsible for:

- ❖ Monitoring treasury management activity against approved strategy, policy, practices and market conditions;
- ❖ Ensuring that capital expenditure plans are continually reviewed in line with budget assumptions throughout the year to forecast when borrowing will be required.
- ❖ Approving changes to treasury management practices and procedures;
- ❖ Reviewing the performance of the treasury management function using benchmarking data on borrowing and investment provided by the Treasury Management Adviser (Arlingclose);
- ❖ Monitoring the performance of the appointed Treasury Management Adviser and recommending any necessary actions
- ❖ Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
- ❖ Monitoring the adequacy of internal audit reviews and the implementation of audit recommendations

Pensions and Treasury Manager

Responsible for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Management Strategy Statement and CIPFA's "Standard of Professional Practice on Treasury Management"

Treasury Team

Headed by Pensions and Treasury Manager with responsibility for day-to-day treasury and investment and borrowing activity in accordance with approved Strategy, policy, practices and procedures and for recommending changes to the Treasury Management Group

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TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES

London Borough of Enfield

April 2022

Revised following the publication of the Treasury Management Code in 2017 and MHCLG's Investment Guidance in 2018

This document has been prepared in the sequence provided by CIPFA. For ease of use, the key areas for LONDON BOROUGH OF ENFIELD treasury operations are referenced below:	TMP Number	Page
Organisational chart of the Council's Finance and Treasury Division Statement of duties and responsibilities Absence cover	TMP5 TMP5 TMP5	
Liquidity Management, Cash flow, bank overdraft, short-term borrowing/lending Cash Flow forecasts Bank statements, payment scheduling	TMP1[2] TMP8 TMP8	
Electronic banking and dealing Standard Settlement Instructions, Payment Authorisation	TMP1[7] TMP1[7]	
Approved types and sources of borrowing Approved investment instruments	TMP4 TMP4	
Counterparty and Credit Risk Management Current criteria Counterparty List and Limits	TMP1[1] <u>TMSS</u> http://governance.enfield.gov.uk/documents/s91321/Annex%201%20-%20TM%20Strategy%20Statement%202022-23%20Coucil%2014Feb2022.pdf	
Dealing: - Authorised dealers - Dealing limits - List of approved brokers - Deal Ticket proforma - Direct dealing list - Settlement transmission procedures	TMP5 Operations Manual Operations Manual Operations Manual	
Reporting arrangements / Performance measurement Officers' responsibilities for reporting	TMP6 TMP2 TMP5	
Budget, Statement of Accounts, treasury-related information requirements for Auditors	TMP7	

Procedure Notes for Council's treasury management system	Operations Manual	
Anti-Money Laundering Procedures	TMP9	
Contingency Arrangements	TMP1[7]	
External Service Providers	TMP11	
References to Statute and Legislation	TMP1[6]	
Non-financial investments	TMP 13 - Pending completion	

Introduction:

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) was last revised in December 2017. The Code requires setting out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. There is now no longer a requirement to formally adopt the Treasury Management Code, but instead the Council is now required by law to have regard to the Code.

Treasury Management is defined by CIPFA as

The management of the Authority's investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with these activities; and the pursuit of optimum performance consistent with those risks.

The Ministry of Housing, Communities and Local Government (MHCLG) published revised statutory guidance and an informal commentary on Local Authority Investments for England in February 2018.

'Investments' now covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily or partially for financial returns, including but not limited to investment property portfolios. Such non-financial assets are not managed as part of the Council's normal treasury management or under treasury management delegations, but they nonetheless require appropriate investment and risk management under the Code; a separate Treasury Management Practice (TMP 13) in this document is therefore included, specific to these investments.

The Code identifies three key principles

- (1) Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities
- (2) Their policies and practices should make clear that the effective management and control of risk and prime objectives of their treasury management activities and that responsibility for these lies clearly within these organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds
- (3) They should acknowledge that the pursuit for value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses.

- (1) The Council will create and maintain, as the cornerstones for effective treasury management
 - a. A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- b. Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

The content of the policy statement and TMPs will follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

- (2) The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- (3) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to General Purposes Committee (GPC), and for the execution and administration of treasury management decisions to Finance Manager - Pensions & Treasury , who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management
- (4) The Council nominates Cabinet & General Purposes Committee to be responsible for ensuring effective scrutiny of treasury management strategy and policies

The Treasury Management Practices (TMPs) comprise:

TMP1	Risk management
TMP2	Performance measurement
TMP3	Decision making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance
TMP 13	Non-Treasury Investments (Investments that are not part of Treasury Management Activity)

Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council's treasury functions.

TMP1: RISK MANAGEMENT

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The Head of Corporate Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below.

[1] Credit and counterparty risk

The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

The Council will ensure its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited and will limit its treasury management investment activities to the instruments, methods and techniques referred to in *TMP4 Approved instruments, methods and techniques* listed in the schedule below. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

Schedule

<p>Criteria to be used for creating/managing approved counterparty lists/limits</p>	<p>The Finance Manager - Pensions & Treasury is responsible for setting prudent criteria and the Council's treasury advisors will also provide guidance and assistance in setting the criteria.</p> <p>The criteria will be agreed by General Purposes Committee.</p> <p>The current criteria is contained in <u>Appendix 1 to this Schedule / (and the Operations Manual)</u>.</p> <p>The Council's treasury management advisors will advise on credit policy and creditworthiness related issues. The Council will maintain a counterparty list based on its credit criteria (determined at least annually) and will monitor and update the credit standing of the institutions on a regular basis.</p> <p>This assessment will include consideration of credit ratings from the main ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support where applicable, resolution mechanisms for failing financial institutions, CDS information, the composition of an institution's balance sheet liabilities).</p> <p>Investment limits are set by reference to the lowest long-term rating from the agencies and other relevant factors, including external advice. The Council will also take into account information on corporate developments and market sentiment towards investment counterparties.</p> <p>The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.</p> <p>Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.)</p> <p>Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits</p>
<p>Approved methodology for changing limits and adding/removing counterparties</p> <p>Risk management:</p> <p>(a) creditworthiness deteriorates below the minimum criteria</p> <p>(b) ratings are placed on review for possible downgrade</p>	<p>The Finance Manager - Pensions & Treasury has delegated responsibility to add or delete counterparties and to review limits within the parameters of the criteria detailed above.</p> <p>Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then</p> <ul style="list-style-type: none"> - No new investments will be made, - Any existing investments that can be recalled or sold at no cost will be, and - Full consideration will be given to the recall or sale of other existing investments with the affected counterparty <p>Where a credit rating is placed on review for possible downgrade (also termed 'rating watch negative' or 'credit watch negative') so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on [the next working day] will be made with that organisation until the rating review has been completed and its outcome known.</p> <p>This policy will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.</p>

Full individual listings of counterparties and counterparty limits	<p>A full individual listing of banking* counterparties based on the criteria will be maintained. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis within the <u>Operations Manual</u>.</p> <p>*It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria, whether the security is secured or unsecured, and due diligence on the counterparty's creditworthiness will determine its selection for investment.</p>
Details of credit rating agencies' services and their application	<p>The Council considers the ratings of the main ratings agencies when making investment decisions. Credit rating agency information is just one of a range of measures used to assess the creditworthiness of institutions.</p> <p>No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the minimum credit rating criteria.</p>
Description of the general approach to collecting and using information other than credit ratings for counterparty risk assessment	<p>The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as share price information.</p> <p>Arlingclose also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank's unsecured liabilities should this be required by the regulatory authorities.</p> <p>In addition, officers read quality financial press for information on counterparties.</p>
Country, sector and group listings of counterparties and the overall limits applied to each, where appropriate	<p>Investments will be shown against total group exposure, total country exposure and total sector exposure.</p> <p>Group limits will be set for the above, in terms of <monetary value/percentage of overall portfolio>, where appropriate. Group limits for organisations under the same ownership will be set at the same level as the lead institution in that group.</p>

[2] Liquidity risk

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

Principle

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

Schedule

Details of cash flow and cash balances	The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a rolling 36-month cash flow forecast to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.
Amounts of approved minimum cash balances and short-term investments	The Council also uses various Call Accounts and Money Market Funds to manage its liquidity requirements. These are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.
Details of short-term borrowing facilities	Temporary borrowing up to 1 year is available should there be a cash flow deficit at any point during the year. At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.
Details of bank overdraft arrangements and standby facilities	The Council does not have an authorised overdraft limit with its bankers HSBC
Details of insurance/guarantee facilities	The Council does not have any financial guarantees to the companies or other entities beyond the generic comfort letter. All borrowing is via the council as are existing leasing arrangements. However, any liabilities to which the companies enter into, the Council would be responsible for and which is why the Council has not let the companies directly into leasing contracts at present. The Council does hold insurance against various catastrophic risk and maintains a prudent level of General Fund and Housing Revenue Account unallocated balances against unknown risks.
Details of other contingency arrangements	There are no contingencies beyond holding a healthy balance of reserves.
Policy in terms of borrowing in advance of need	The Council may need to borrow in advance of need where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council may be exposed to the risk of both the loss of the borrowed sums, and also that investment and borrowing rates may change during the intervening period. These risks will be managed as part of the Council's overall treasury risk management. The total amount borrowed will not exceed the authorised borrowing limit of £1500m.

[3] Interest Rate Risk Management:

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

Principle

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its

budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

Schedule

<p>Proportions of fixed/variable rate debt/interest, Long or short term loans</p>	<p>Borrowing/investments may be at a fixed or variable interest rate.</p> <p>In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility to enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.</p> <p>The proportion of fixed and variable rate debt will be determined as part of the annual borrowing strategy to address the issues of affordability but without compromising the longer-term stability of the debt portfolio. The proportion will be kept under review on a regular basis.</p>
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<p>Trigger points and other guidelines for managing changes to interest rate levels</p>	<p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.</p> <p>The Council may determine it is more cost effective in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing or refinancing in future years when interest rates are expected to be higher.</p> <p>Alternatively, the Council may consider forward starting loans where the interest rate is agreed and fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a 'cost of carry' in the intervening period.</p> <p>Interest rate forecasts are provided by the <u>Council's advisors/fund managers</u> and are closely monitored by the Finance Manager - Pensions & Treasury. Variations from original estimates and their impact on the Council's debt and investments are notified to the General Purposes Committee as necessary.</p> <p>For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.</p>
<p>Policies concerning the use of financial derivatives for interest rate risk management</p>	<p>The Council will only use the following standalone financial derivatives:</p> <ul style="list-style-type: none"> • Forward options, • Future options and • Swaps. <p><as these can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.</p> <p>However, at present none of these are being used, although the possibility for locking in future interest rates is under continual review.</p> <p>The use of derivatives is outlined in <i>TMP4 Approved instruments, methods and techniques</i> and the Council will seek proper advice before entering into arrangements for such products and will ensure it has the necessary knowledge and understanding of them before doing so.</p>
<p>Negative interest rates</p>	<p>Should economic conditions be such that the Bank of England sets Bank Rate at or below zero, this is likely to feed through into negative rates on short term, low risk investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even if it is below the amount originally invested.</p>

[4] Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

Principle

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Schedule

Details of approved exchange rate exposure limits for cash investments/debt	<p>This Council does not, on a day to day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.</p> <p>If the Council has a contractual obligation to make a payment in a currency other than sterling, then forward foreign exchange transactions will be considered and professional advice sought.</p> <p>At the present time statute prevents the Council borrowing in currencies other than sterling. The Council has also determined that all its investments will be in sterling.</p>
Approved criteria for managing changes in exchange rate levels	The Council does not attempt to manage changes in exchange rates except where it might choose to change to a foreign currency at a point in time ahead of a purchase.
Policies concerning the use of financial derivatives for exchange rate risk management	The Council does not use financial derivatives to manage exchange risk management.

[5] Inflation Risk Management

Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

Principle

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

Investments over one year	Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
Contractual obligations linked to inflation	The Council will identify all contractual obligations which are linked to inflation, whether receipts or payments, in relation to its treasury assets and liabilities and regularly review the financial impact of a <+/- 1%> increase/decrease in inflation from existing levels.

[6] Refinancing Risk Management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and

current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

Principle

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

Schedule

<p>Projected capital investment requirements</p>	<p>Three-year projections are in place for capital expenditure and its financing or funding. Financing will be from capital receipts, reserves and any grants or contributions awarded, revenue resources or reserves. Funding will be from internal or external borrowing, as decided.</p> <p>As required by the Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p> <p>The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement (CFR) and Liability Benchmark.</p>
<p>Debt/other capital financing maturity profiling, policies and practices</p>	<p>The Council will maintain through its treasury system reliable records of the terms and maturities of its borrowings, capital, project and partnership funding and, where appropriate, plan and successfully negotiate terms for its refinancing.</p> <p>To assist with long-term borrowing decision making the Council creates, with advice and assistance from its treasury advisor, a 'Liability Benchmark' which forecasts the need to borrow over the medium- to longer-term, taking into account usable reserves and working capital projections.</p> <p>Based on the output of the Liability Benchmark and the Council's outlook on interest rates, any longer-term borrowing will be undertaken in accordance with the Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.</p> <p>The avoidance of bunching of loan maturities will reduce the risk of having to refinance at a time when interest rates are unfavourable to the Council.</p> <p>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.</p>
<p>Policy concerning limits on revenue consequences of capital financings</p>	<p>The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium-term forecasts.</p>

Financial Guarantees	The Council has provided financial guarantees to HGL and Energetik, only with respect to generic liabilities and not in relation to any new leases, as these must be approved by the Chief Finance Officer and none are currently in existence. These are reviewed yearly, by Head of Corporate Finance.
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[7] Legal and Regulatory Risk Management

The risk that the Council itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

Principle

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Schedule

References to relevant statutes and regulations	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:</p> <ul style="list-style-type: none"> ▪ CIPFA’s Treasury Management Code of Practice and accompanying Guidance Notes ▪ CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities. ▪ CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments. ▪ CIPFA Standard of Professional Practice on Treasury Management ▪ The Local Government Act 2003 ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments ▪ Pensions, England and Wales - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ▪ Local Government Pension Scheme - Guidance on Preparing and Maintaining an Investment Strategy Statement (published by MHCLG, Sept 2016) ▪ The MHCLG’s statutory Guidance on Minimum Revenue Provision (MRP) ▪ The MHCLG’s Guidance on Local Government Investments in England The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883 ▪ LAAP Bulletins ▪ Code of Practice on Local Authority Accounting ▪ Accounts and Audit Regulations 2003, as amended together with MHCLG’s Guidance ▪ The Localism Act 2011 ▪ The Bank of England’s 2017 Money Markets Code (which replaces the former Non-Investment Products Code) ▪ Council’s Constitution including: <ul style="list-style-type: none"> • Standing Order relating to Contracts • Financial Regulations • Scheme of Delegation <p>For HRA Clients:</p> <ul style="list-style-type: none"> ▪ MHCLG’s Self-Financing Policy Documentation and subsequent amendments
Procedures for evidencing the organisation’s powers/authorities to counterparties	<p>The Council’s Financial Regulations contain evidence of the power/authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the GENERAL PURPOSES COMMITTEE.</p> <p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</p>

Required information from counterparties concerning their powers/authorities	Investments shall only be made with institutions on the Council's authorised lending list or in securities which meet the Council's approved credit criteria. The Council will only undertake borrowing from approved sources listed in TMP4 <i>Approved instruments, methods and techniques</i> .
Statement on the organisation's political risks and management of the same	Political risk is managed by: <ul style="list-style-type: none"> • adoption of the CIPFA Treasury Management Code of Practice • adherence to Corporate Governance (TMP12 <i>Corporate Governance</i>) • adherence to the Statement of Professional Practice by the Section 151 Officer. • the roles of the General Purposes Committee.

[8] Fraud, error and corruption, and contingency management

The risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.

Principle

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Schedule

<p>Details of systems and procedures to be followed, including Internet services</p>	<p>Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in TMP5 <i>Organisation, clarity and segregation of responsibilities, and dealing arrangements.</i></p> <p>1. Electronic Banking and Dealing</p> <p>(a) The Council's online banking service provided by HSBC is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officers having access to the bank's online system are as follows:</p> <table border="1" data-bbox="507 600 1369 1182"> <tr> <td data-bbox="507 600 986 1182"> <p><u>Payment Input & 1st Approval</u> Karen Bennett Steve Brown Tim Finney Claire Whetstone Ian Kafka Kayleigh McAteer Mahfuza Khanum Sam Gerrard</p> <p><u>Viewing Only</u> Neil Tilley Alex Marshall Janice Ely Emre Usta Keeran Dowlut Kevin Milton Roger McClean</p> </td> <td data-bbox="986 600 1369 1182"> <p><u>2nd Approval</u> Bola Tobun Neil Goddard Louise McNamara Omar Syed Atul Lad Grace Osinowo Nick Patel Olu Ayodele Sophia Bogich</p> </td> </tr> </table> <p>Officer access is reviewed at least 6 monthly or as necessary.</p> <p>(b) Access to the Council's treasury management system, is limited to those officers listed below, each having a separate log-on and password.</p> <table border="1" data-bbox="507 1339 1369 1527"> <tr> <td data-bbox="507 1339 938 1527"> Bola Tobun Karen Bennett Steve Brown Tim Finney Claire Whetstone </td> <td data-bbox="938 1339 1369 1527"> Ian Kafka Kayleigh McAteer Mahfuza Khanum Sam Gerrard Terrell Haughton-Locker </td> </tr> </table> <p>These also are reviewed at least 6 monthly or as necessary.</p> <p>(c) ICD Portal is also in use by HSBC Payments inputter. Procedures for on-line dealing with them should be documented in the Operations Manual.</p> <p>Full procedure notes covering the day to day operation of the online banking system and the treasury management system are documented and included in the <u>Operations Manual</u>.</p>	<p><u>Payment Input & 1st Approval</u> Karen Bennett Steve Brown Tim Finney Claire Whetstone Ian Kafka Kayleigh McAteer Mahfuza Khanum Sam Gerrard</p> <p><u>Viewing Only</u> Neil Tilley Alex Marshall Janice Ely Emre Usta Keeran Dowlut Kevin Milton Roger McClean</p>	<p><u>2nd Approval</u> Bola Tobun Neil Goddard Louise McNamara Omar Syed Atul Lad Grace Osinowo Nick Patel Olu Ayodele Sophia Bogich</p>	Bola Tobun Karen Bennett Steve Brown Tim Finney Claire Whetstone	Ian Kafka Kayleigh McAteer Mahfuza Khanum Sam Gerrard Terrell Haughton-Locker
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	<p>2. Standard Settlement Instructions (SSIs): a list is maintained of named officers who have the authority to transact for loans and investments</p> <ul style="list-style-type: none"> • Brokers and counterparties with whom the Council deals direct. • PWLB and Debt Management Agency Deposit Facility. • Money Market Funds and other Externally managed pooled funds managers. <p>3. <u>Payment Authorisation:</u> Payments can only be authorised by an agreed signatory(ies) of the Council, the list of signatories having previously been agreed with the</p> <ul style="list-style-type: none"> • Council's bank. • Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts. • Separate officers will carry out (a) dealing and (b) recording of transactions and disbursements.
Verification	<p>Loans and investments will be maintained in <u>registers/treasury management system</u> which will include fees and brokerage paid.</p> <p>Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.</p> <p>When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before amending payment details.</p>
Substantiation	<ol style="list-style-type: none"> 1. The Treasury Management system balances are reconciled with financial ledger codes at the end of each month and at the financial year end 2. Working papers are retained for audit inspection 3. The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
Internal Audit	<p>Internal Audit carry out an annual review of the treasury management function including probity testing. See <i>TMP7 Budgeting, accounting and audit arrangements</i>.</p>
Emergency and contingency planning arrangements	<ol style="list-style-type: none"> 1. All treasury systems are retained on the Council's network. Daily back-ups are taken and maintained, and network back-ups can be used by the Digital Services department to restore files, if necessary 2. All Money Market transactions are recorded on the ICD Portal 3. Temporary off-site working facility: The officers who can avail of this facility following an emergency are all treasury dealers and payments approvers who will individually be made aware of the procedures to follow. 4. Electronic Banking System Failure: Officers will contact the dedicated Account Manager Ryan Moore to obtain account information while payments would be initiated at a HSBC branch. 5. The Contingency Process Manual is part of the TM process notes.

Insurance cover details	The Council has cover for a variety of historic liabilities and Buildings Insurance via QBE. It holds motor insurance via Zurich. Details of the provider and cover are held by the Risk & Insurance Manager, Kay Osborne.
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[9] Price Risk Management: This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

Principle

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

Schedule

Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate	<p>Investment instruments used by the external fund managers (equities, bonds, CDs etc) are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.</p> <p>The Council may consider an investment in Pooled Funds with a Variable Net Asset Value (VNAV), as appropriate, in line with its treasury strategy and on advice from its treasury advisors.</p> <p>The value of the pooled funds will change in line with market prices and, in some instances, may also have a notice period prior to redemption. Such funds will therefore be used for longer investment periods. The limits per fund/asset class will be as determined in the Council's annual investment strategy.</p>
Accounting for unrealised gains/losses	<p>The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.</p> <p>The Council has no capital expenditure investments in pooled funds Where pooled funds are classed as capital expenditure, any fair value gains and losses charged to Finance I&E will be reversed out to the Capital Adjustment Account via the MiRS. It might therefore appear that the election to FVOCI is unnecessary, however, since regulations might change in future and the election can only be made on initial recognition or on transition to IFRS 9, the Council has including capital expenditure funds in its election.</p>

TMP2: PERFORMANCE MEASUREMENT

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

CIPFA supports the use of risk benchmarks in measuring treasury management performance.

The performance of the treasury management function will be measured using the criteria set out below.

Schedule

Policy concerning methods for testing value for money	<p>Best value reviews will include the production of plans to review the way services are provided by</p> <ul style="list-style-type: none"> ▪ Challenging ▪ Comparing performance ▪ Consulting with other users and interested parties ▪ Applying competition principles <p>In order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.</p>
Policy concerning methods for performance measurement	<ul style="list-style-type: none"> • Performance measurement at the Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council's Prudential Indicators and to enhance accountability • Prudential Indicators are specific to the Council and not intended as a comparator between authorities • The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy (i.e. the Council will avoid hindsight analysis) <p>Any comparison of the Council's treasury portfolio against recognised industry standards, market indices and other portfolios is intended to:</p> <ol style="list-style-type: none"> (i) allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed, and (ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments. <p>In drawing any conclusions, the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk.</p>

<p>Methodology to be applied for evaluating the impact of treasury management decisions</p>	<p>Monitoring of the outcome of treasury management activity against Prudential Indicators (PIs) approved by the Council will be carried out as part of the budget monitoring reports to GPC / CABINET on a QUARTERLY basis.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments.</p> <p>The Council is a member of Arlingclose benchmarking club. The club enables comparison of performance with other authorities for its investments. Data is provided by the Council quarterly for comparison.</p> <p>The Council's Treasury Management advisers review the existing debt portfolio quarterly and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.</p> <p>The Council participates in the Treasury Management Advisor's quarterly investment benchmarking as well as the Treasury Management Advisor's annual Balance Sheet and Debt benchmarking.</p>
<p>Methods to be employed for measuring the performance of the Council's treasury management activities</p>	<p>Treasury management activity is reviewed quarterly against strategy and prevailing economic and market conditions through the quarterly, mid-year & annual outturn reports to management & GPC.</p> <p>The report will include:</p> <ul style="list-style-type: none"> a) CFR Funding Ratio (gross borrowing as a % of the Loans CFR) b) Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion of net borrowing) c) Average rate on gross borrowing vs weighted average maturity d) Leveraged Rate on Net Borrowing vs Leverage Ratio e) The effect of new borrowing and/or maturities on the above f) The effect of any debt restructuring on the debt portfolio g) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate; LOBOs in their call period) h) Total investments including average rate, credit and maturity profile i) The effect of new investments/redemptions/maturities on the above j) The rate of return on investments against their indices for internally and externally managed funds k) An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements and volatility in price of CDs, gilts/bonds, pooled funds) l) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy m) Daily bank balances: any major deviations from the target bank balances

<p>Benchmarks and calculation methodology with regard to risk and return: debt management and investment</p>	<p>Treasury Management Costs Costs are split into Debt Management, Investment Management and Other. Investment Management is then shown as cost per £m invested, and Debt Management Costs per £m value of debt.</p> <p>Investment returns are compared to the 7-day LIBID or SONIA benchmark.</p> <ul style="list-style-type: none"> ▪ Internally Managed Investment Returns - total interest accruing during the month or year on average daily balances invested during the calendar month. ▪ Externally Managed Investment Returns - income return and capital growth <p>Debt Management</p> <ul style="list-style-type: none"> ▪ CFR Funding Ratio (gross borrowing as a % of the Loans CFR) ▪ Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion of net borrowing) ▪ Average rate on gross borrowing vs weighted average maturity ▪ Leveraged Rate on Net Borrowing vs Leverage Ratio ▪ Average period to maturity of new loans in financial year ▪ Ratio of PWLB and market debt (beginning and end of period) ▪ Ratio of fixed and variable rate debt (beginning and end of period)
<p>Policy concerning methods for testing value for money in treasury management</p>	<p>The treasury management function will be the subject of ongoing analysis of the value for money it adds in support of the Council's stated corporate and service objectives.</p> <p>When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations as follows:</p> <ol style="list-style-type: none"> a) Placing a contract under £25k requires at least a quote. And placing a contract over £25k below £100k requires at least three quotes and service delivery proposals are generally obtained. b) when placing a contract with a value in excess of £100k, a tendering process that meets the requirements of the EU procurement procedures (OJEU) is undertaken c) If necessary, the Council will also consult with other users of similar services as well as with interested parties d) The Council will also evaluate alternative methods of the availability of fiscal, grant or subsidy initiatives, and service delivery

TMP3: DECISION MAKING AND ANALYSIS

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

The guidance on decision making states that relevant due diligence should take place on all transactions. In respect of investment decisions, the organisation should consider the risks to capital and returns and the implications for the organisation's future plans and budgets.

The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

Schedule

<p>Capital expenditure and investment plans</p>	<p>The 2017 Prudential Code requires the Council to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the Council.</p> <p>Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.</p> <p>The Prudential Code encourages determining spending priorities and affordability criteria. In considering the affordability of the capital plans, the Council is required to consider all of the resources available to it or estimated for the future, together with the totality of the capital plans, income and expenditure forecasts.</p> <p>The Council approves a suite of finance reports each February - the Ten Year Capital Programme and complementary Ten Year Treasury Management Strategy along with the Five Year Medium Term Financial Plan.</p> <p>The Capital Programme commences in the previous spring with the approval by Cabinet of the Capital Strategy. A central tenet at present is the imposition of a £2bn borrowing cap. The existing ten year programme is rolled forward a year and slippage from the previous year added in at which point the capital financing impact is reassessed.</p> <p>All existing schemes and newly proposed schemes are then evaluated across autumn against the Development and Infrastructure Funding Framework for inclusion in the Programme. Viability and affordability are validated against the Council's Ten Year Treasury Management Strategy and Five Year Medium Term Financial Plan.</p>
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Borrowing purpose	<p>The CIPFA Treasury Management Code reminds [in Chapter 3] that local authorities should never borrow for the explicit purpose of making an investment return.</p> <p>The Statutory Guidance of Local Authority Investments in England 2018 makes it clear that borrowing in advance of need purely to profit from the investment of the extra sums borrowed is against the principles in the statutory framework. If the Council chooses not to comply with this principle in order to invest in property or other financial assets for commercial return, then the Council must make additional disclosures about the reasons for doing so.</p>
Major treasury decisions	<p>As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:</p> <ul style="list-style-type: none"> a) changes to Prudential Indicator(s) during the course of the financial year b) options appraisal to determine a funding decision c) raising a new long-term loan/long-term source of finance d) prematurely restructuring/redeeming an existing long-term loan(s) e) investing longer-term (i.e. in excess of 1 year) f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) g) leasing h) change in banking arrangements i) appointing/replacing a treasury advisor j) appointing/replacing a fund manager k) <i>any other determined by the Council</i>
Process	<p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p>Based on the Annual Treasury Management Strategy, the Finance Manager Pensions & Treasury will prepare monthly for the ensuing <u>36</u> months rolling forecasts of the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</p> <ul style="list-style-type: none"> • applying the strategy on a day to day basis • monitoring the results of the strategy • recommending amendments to the strategy to Cabinet where applicable during the course of the year
Delegated powers for treasury management	<p>The Executive Director Resources has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.</p>

Issues to be addressed	<p>In exercising these powers, the Executive Director Resources and those to whom the treasury activities have been delegated will</p> <ul style="list-style-type: none"> • have regard to the nature and extent of any associated risks to which the Council may become exposed and put in place effective mechanisms for risk management and mitigation • be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained • be satisfied that the documentation is appropriate to deliver the Council's objectives, protect the Council's interests, and to maintain an effective audit trail • ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits • be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive • follow best practice in implementing the treasury transaction <p>In exercising borrowing and funding decisions, the Executive Director Resources will:</p> <ul style="list-style-type: none"> • evaluate economic and market factors that may influence the manner and timing of any decision to fund • consider alternative forms of funding, including use of revenue resources, leasing and private partnerships • consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use • consider ongoing revenue liabilities created • where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years <p>The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.</p> <p>In exercising Investment decisions, the Executive Director Resources will:</p> <ul style="list-style-type: none"> • Determine that the investment is within the Council's strategy and pre-determined instruments and criteria; • consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions; • the credit risk associated with unsecured investments with banks and building societies • consider the alternative investment products and techniques available if appropriate.
Processes to be pursued	The processes to be followed will be in keeping with <i>TMP4 Approved instruments, methods and techniques.</i>

Records to be kept	<p>The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>Records and working papers will be maintained by the Council electronically in SharePoint</p>

TMP4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in *TMP1 Risk Management*.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

The Council gives consideration to skills and experience as this is particularly critical where organisations request to be treated as professional clients under MIFID II. Designation under MIFID II should be endorsed by the Treasury Management Strategy and regularly reviewed to ensure that designation remains appropriate.”

Schedule

Approved treasury management activities	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> ▪ Managing cashflow ▪ Capital financing ▪ Borrowing including debt restructuring and debt repayment ▪ Investing including redemption of investments ▪ Banking ▪ Leasing ▪ Managing the underlying risk associated with the Council’s capital financing and surplus funds activities <p>The above list is not definitive and the Council would, from time to time, consider new financial instruments and treasury management techniques. However, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p>
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<p>Approved capital financing methods and types/sources of funding</p>	<ul style="list-style-type: none"> • Public Works Loans Board (PWLB) loans and its successor body • long term money market loans including forward starting loans • temporary money market loans (up to 364 days) • bank overdraft • loans from bodies such as the European Investment Bank (EIB) • Stock issues • Deferred Purchase • Government and EU Capital Grants • Lottery monies • Other Capital Grants and Contributions <ul style="list-style-type: none"> ▪ Private Finance Initiative ▪ Operating and finance leases ▪ Hire purchase ▪ Sale and leaseback <p>The Council may also use internal resources:</p> <ul style="list-style-type: none"> • Capital Receipts • Revenue Balances • Reserves <p><u>Approved sources of long-term and short-term borrowing include</u></p> <ul style="list-style-type: none"> • Public Works Loan Board (PWLB) and its successor body • Any institution approved for investments • Any other bank or building society authorised to operate in the UK • UK public and private sector pension funds (except [Enfield] Pension Fund) • UK Municipal Bonds Agency and other special purpose vehicles created to enable local authority bond issues • <i>Any other counterparty you intend to borrow from</i> <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
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<p>Approved treasury investment instruments</p>	<p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity and then yield (in that order) of its invested monies in keeping with MHCLG's Investment Guidance issued in 2018.</p> <p>The Annual Investment Strategy should be approved by full Council</p> <p>The Council will determine through the AIS which instruments will be used in-house and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council's credit criteria will also apply.</p> <p><i>Examples</i></p> <ul style="list-style-type: none"> ▪ Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), ▪ Loans to other UK local authorities (which MHCLG's Investment Guidance classifies as a Specified Investment irrespective of its maturity) ▪ Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit) ▪ Investments in Money Market Funds, i.e. 'AAA' liquidity funds ▪ Treasury Bills ▪ UK government bonds (Gilts) ▪ Sterling denominated bonds by non-UK sovereign governments ▪ Bonds issued by multilateral development banks ▪ Sterling denominated bonds by non-UK sovereign governments ▪ Covered bonds (i.e. those with underlying collateral) ▪ Loans, bonds and commercial paper issued by corporates other than banks (secured and unsecured) ▪ Reverse Repurchase Agreements ('reverse repos') ▪ Investments with Registered Providers of Social Housing (i.e. housing associations) ▪ Pooled funds meeting the definition of Collective Investment Schemes in SI 2004 No 534 and subsequent amendments and which invest in cash instruments /bonds / equities / property - (bond, equity, property and multi asset funds will be long-dated strategic investments) <p>The Council will ensure it maintains the skills and experience necessary to evaluate the benefits and control the risks associated with the above investment instruments.</p>
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<p>Investments that are not part of treasury management activity</p>	<p>These are investments which the Council invests in other financial assets and property primarily for financial return. Such activity includes loans supporting service outcomes, investments in subsidiaries and the investment property portfolio.</p> <p>The Council ensures that it has the same robust procedures for the consideration of risk and return and</p> <ul style="list-style-type: none"> • ensures that all investments, including non-treasury investments are covered in the Capital Strategy. • maintains a schedule of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the corresponding risk exposure. <p style="padding-left: 40px;">maintains separate management practices for non treasury investments</p> <p>Contribution: The Council will disclose in its Annual Investment Strategy and the Capital Strategy the contribution that non-treasury investments make to the overall financial and/or service delivery objectives of the Council. In this regard, where appropriate the Council will group individual investments into categories.</p> <p>The Informal Commentary to the Investment Guidance also recommends that the Council’s Investment Strategy include for existing and planned investments:</p> <ul style="list-style-type: none"> • quantitative indicators that allow Councillors and the public to assess both the opportunities of the investments as well as the total risk exposure as a result of its investment decisions over both, the payback period and over the repayment period of any debt taken out (the indicators are not mandatory but should be taken as examples); • how investments are funded and the rate of return received. <p>Proportionality: Should the Council become or plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, the Investment Strategy will:</p> <ul style="list-style-type: none"> • detail the extent to which funding expenditure to meet the service delivery objectives is dependent on achieving the expected net profit [MHCLG’s suggested indicator “Commercial Income to NSE (net service income) ratio”] • outline the Council’s contingency plans should it fail to achieve the expected net profit. <p>The Informal Commentary to the Investment Guidance also recommends that the Council set a limit that cannot be exceeded for gross debt compared to net service expenditure.</p>
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Use of Derivatives	<p>The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).</p> <p>As the Council is likely to use derivatives, it is a requirement of the CIPFA Code to clearly detail our policy on their use in the annual treasury strategy.</p> <p>The Council will only use the following standalone financial derivatives: <i>e.g. swaps, forwards, futures and options</i> as these can be clearly demonstrated to reduce the overall level of the financial risks the Council is exposed to.</p> <p>Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk.</p> <p>Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.</p> <p>Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.</p> <p>The use of derivatives is restricted to only those officers who have completed the appropriate training for their use.</p>
MiFID II professional client status	<p>The Council has reviewed its classification with financial institutions under MiFID II and registered as a professional client with some organisations.</p> <p>The consideration of skills and experience is particularly critical where the Council has requested to be treated as a professional client under MiFID II. Designation under MiFID II will be endorsed by the treasury strategy and reviewed <frequency> to ensure the designation remains appropriate.</p>

TMP5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Head of Corporate Finance will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Head of Corporate Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Head of Corporate Finance will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule below.

The Finance Manager, Treasury & Pensions will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.

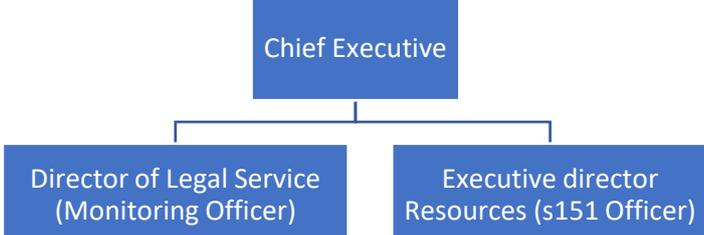
The delegations to the Finance Manager, Treasury and Pensions, in respect of treasury management are set out in the schedule below. The Finance Manager, Treasury and Pensions. will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

Schedule

Organisational chart of the Treasury Management/Finance Division, including governance and scrutiny arrangements

Schedule

<p>Limits to responsibilities / discretion at committee / executive levels</p>	<p>Full Council: receiving and reviewing</p> <ul style="list-style-type: none"> • Capital Strategy • Prudential Indicators (Capital Expenditure, Authorised Limit, Operational Boundary) • Treasury Management Strategy including the annual Investment Strategy (unless a Capital Strategy is approved by Full Council in which case only the Investment Strategy needs to be approved by Full Council) • receiving and reviewing reports on treasury management policies, practices and activities (following receipt by Cabinet/Executive) <p>The Cabinet:</p> <ul style="list-style-type: none"> • approval of amendments to adopted clauses, treasury management policy statement, Treasury management strategy (if Capital Strategy is approved by full Council) and treasury management practices • budget consideration and approval • receiving and reviewing external audit reports and acting on recommendations • approving the selection of external service providers and agreeing terms of appointment
<p>Principles and practices concerning segregation of duties</p>	<p>The segregation of duties will be determined by Head of Corporate Finance.</p> <p>Segregation of duties exists in that:</p> <ul style="list-style-type: none"> • the officer(s) responsible for negotiating and closing treasury management deals is/are completely separate from the officer(s) with responsibility for recording the transactions in the cash book and completing cheque and bank reconciliations • the officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising payments • all borrowing/investments decisions must be authorised by the Deputy Section 151 Officer and/or Director Finance <p>Additionally, The Council receives bank statements on a daily basis. These are posted independent of the treasury function in order to maintain an adequate separation of duties.</p>

<p>Statement of duties/ responsibilities of each treasury / relevant post</p>	<p>The Head of Corporate Finance / Finance Manager (Pensions & Treasury)</p> <ul style="list-style-type: none"> • submitting budgets and budget variations • recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance • determining Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy • submitting regular treasury management policy reports • receiving and reviewing management information reports • reviewing the performance of the treasury management function and promoting best value reviews • ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function • ensuring the adequacy of internal audit and liaising with external audit • recommending the appointment of external service providers • determining long-term capital financing and investment decisions • The Head of Corporate Finance has delegated powers to determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments • The Head of Corporate Finance may delegate his/her power to borrow and invest to Manager, Pensions and Treasury and Finance Officer, Treasury and all officers on the Treasury rota. <p>Pensions & Treasury Manager:</p> <ul style="list-style-type: none"> • execution of transactions • adherence to agreed policies and practices on a day to day basis • maintaining relationships with third parties and external service providers • monitoring performance on a day to day basis • submitting management information reports to the responsible officer • identifying and recommending opportunities for improved practices <p>Finance Officer, Treasurer plus all officers on the treasury rota:</p> <ul style="list-style-type: none"> • recording treasury management transactions, • reconciling treasury management transactions with the financial ledger • recording/reconciling counterparty documentation
<p>Absence cover arrangements</p>	<p>Cover in the absence of the relevant treasury management officer is provided by:</p> <ul style="list-style-type: none"> • <i>Senior Finance Officer, Pensions plus</i> • <i>A rota of staff</i> <p>Cover is reviewed at least every 6 months, or as necessary. Full procedure notes are available, detailing the processes required to enable the day to day operation of the treasury management function.</p>
<p>Description of the relationships between the chief finance officer, the monitoring officer and the head of paid service.</p>	 <pre> graph TD CE[Chief Executive] --> DLS[Director of Legal Service (Monitoring Officer)] CE --> ED[Executive director Resources (s151 Officer)] </pre>

Locally Managed Schools: compliance with the TM Code and the Council's policies/practices	<p>The Council's treasury management policies and practices are applicable to and made available to its locally managed schools.</p> <p>The school's officers responsible for creating/monitoring treasury policy issues and those responsible for managing and executing treasury decisions will comply with the Council's treasury policies and practices.</p>
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Dealing

Authorised officers	<p>Responsible officer for borrowing/investment decisions:</p> <p>Borrowing activity: Treasury Dealers and Finance Manager - Pensions & Treasury</p> <p>Lending activity: Treasury Dealers and Finance Manager - Pensions & Treasury</p> <p>Authorising payments for borrowing/lending: Finance Manager - Pensions & Treasury; Head of Corporate Finance; Director of Finance and Executive Director of Resources</p> <p>Transaction recording: Finance Officer (Treasury)</p>
Dealing limits	<p>Internally Managed Investments:</p> <ul style="list-style-type: none"> the maximum for any one investment deal is £25m__ million (subject to the lending limits detailed in the Council's Annual Investment Strategy.)
Dealing platforms / portals	iDeal Trade & ICD
List of approved brokers	Brokers used by the Council are specified in TMP11 <i>External service providers</i>
Policy on brokers' services	It is the Council's policy to utilise the services between at least <i>[two]</i> brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of conversations	Conversations with brokers are taped by the brokers.
Direct dealing practices	<p>Direct dealing is carried out with institutions and with externally managed pooled funds identified in the Operational Schedule subject to counterparty and maturity limits and dealing limits.</p> <p>Prior to undertaking direct dealing, the Council will ensure that each counterparty / fund has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Procedures.</p> <p>The template for the Council's Standard Settlement Procedures is included in the Operational Schedule.</p>

Inter-authority dealing	<p>The Council also deals with other local authorities to invest and borrow funds for treasury management purposes.</p> <p>In addition to transactions conducted through brokers, deals are conducted directly with other authorities and also via the iDealTrade execution-only dealing platform.</p> <p>A record of all deals, together with their specific terms, will be maintained by the Council.</p>
Deal Ticket proforma	Deals will be recorded as per the deal ticket proforma (<i>proforma maintained at operational level</i>)
Settlement transmission procedures	<ul style="list-style-type: none"> • settlements are made by CHAPS • all CHAPS payments relating to settlement transactions require authorisation by the Finance Manager - Pensions & Treasury • all CHAPS payments require 2 bank signatures • the details are transmitted online using the Council's bankers online banking system.
Documentation requirements	<p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker.</p> <p>Investments</p> <ul style="list-style-type: none"> • deal ticket with signature to agree the investment • confirmation from the broker • confirmation from the counterparty • Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator • CHAPS payment transmission document <p>Loans:</p> <ul style="list-style-type: none"> • deal ticket with signature to agree the loan • confirmation from the broker • confirmation from PWLB/market counterparty • CHAPS payment transmission document.
Arrangements concerning the management of counterparty lists	<p><i>Please state here how the Council manages counterparty lists - example</i></p> <ul style="list-style-type: none"> • The Finance officer has responsibility for updating the Council's records with any credit developments. • The Finance officer is tasked with checking that records have been correctly updated to reflect any credit developments.

TMP6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, Full Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The Cabinet to which some treasury responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks.

The General Purposes Committee will have responsibility for the scrutiny of treasury management policies and practices.

The Council will report the treasury management indicators as detailed in the TM Code's sector-specific guidance notes.

The present arrangements and the form of these reports are outlined below.

Schedule

Capital Strategy:	<p>This is a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments. It is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. The Capital Strategy will include:</p> <ul style="list-style-type: none"> • Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions. • Commercial activities, including due diligence processes, the Council's risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements. • Long-term context in which capital expenditure decisions are made for the above, risk and reward considerations and impact on the achievement of priority outcomes. • Debt management, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the Council's approach to treasury management. • Other long-term liabilities, such as financial guarantees. • Knowledge and skills, including a summary of that available to the Council and its link to the Council's risk appetite. <p>The strategy should include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.</p> <p>The Executive Director Resources/s151 Officer will report explicitly on the affordability and risk associated with the Capital Strategy and, where appropriate, have access to specialised advice to enable the members to reach their conclusions.</p> <p>The Executive Director Resources/s151 Officer will also ensure that where detailed information is required, this will be made available in a format to encourage active engagement and, if necessary, any associated training needs of members.</p> <p>Liability Benchmark: The Council will also report and agree the Liability Benchmark as part of setting the prudential limits to form recommended element of the Treasury Management Strategy. <i>[page 57 of the Code Guidance Notes of the 2017 Prudential Code]</i></p> <p><i>CIPFA has provided more detail on the Capital Strategy in the Guidance Notes to the 2017 Prudential Code (pages 15-24) as well as a checklist in Appendix A. CIPFA intends the checklist to prompt discussion and thought about material areas rather than be taken as comprehensive or a blueprint.</i></p>
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<p>Content and frequency of other board / committee reporting requirements</p>	<p>The Finance Director will annually submit budgets and report on budget variations as appropriate.</p> <p>The Finance Director will submit the Prudential Indicators and the Treasury Management Strategy Statement (including Annual Investment Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to the Cabinet recommended through to Council for approval before the start of the financial year.</p> <p>The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.</p> <p>A Mid-Year Treasury Report will be prepared by the Finance Manager Pensions and Treasury, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Cabinet with a recommendation on to Council during the year.</p>
<p>Content of Reporting: 1. Prudential Indicators</p>	<p>The Council will set the following Prudential Indicators, revise if necessary, and in its annual / semi-annual reports publish actual outturn (where appropriate) in respect of:</p> <ul style="list-style-type: none"> ▪ Capital expenditure (estimates; actual) ▪ Capital Financing Requirement (estimates; actual) ▪ Gross Debt and the Capital Financing Requirement ▪ Financing costs to net revenue stream (estimate; actual) ▪ Authorised limit for external debt ▪ Operational boundary for external debt ▪ External debt <p>Treasury indicators</p> <ul style="list-style-type: none"> ▪ Upper and lower limits to maturity structure of borrowing (<i>includes all borrowing, fixed and variable rate</i>) ▪ Upper limit to total of principal sums invested longer than a year. <p>The Prudential Indicators are approved and revised by Council and are integrated into the Council's overall financial planning and budget process.</p> <p>The General Purposes Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>2. Treasury Strategy Statement including the Annual Investment Strategy</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> • Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing <u>three</u> years • Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt • the extent to which surplus funds are earmarked for short term requirements • the investment strategy for the forthcoming year(s)* • the minimum to be held in short term/specified investment during the coming year • the interest rate outlook against which the treasury activities are likely to be undertaken. <p>*Based on the DLUHC's Guidance on Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out</p> <ul style="list-style-type: none"> ▪ the objectives, policies and strategy for managing its investments ▪ the determination of which Specified and Non-Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances ▪ the limits for the use of Non-Specified Investments <p>The AIS will be integrated into the Treasury Strategy Statement.</p> <p>The General Purposes Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
<p>3. Mid-Year and Annual Treasury Outturn Reports</p>	<p>The Finance Manager Pensions & Treasury will produce a mid year and an annual report for the <name of committee e.g. Executive> on all activities of the treasury management function (including the performance of fund managers) as soon as practicable after the end of the relevant period.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> ▪ the prevailing economic and credit environment ▪ a commentary on treasury operations (borrowing and investments) for the period, including their revenue effects; ▪ commentary on the risk implications of treasury activities undertaken and the overall impact on the treasury portfolio ▪ any future implications for the treasury portfolio ▪ compliance with agreed policies/practices and statutory/regulatory requirements ▪ compliance with agreed policies / practices and statutory / regulatory requirements ▪ performance measurement ▪ training /continuous professional development undertaken by treasury officers. <p>The mid-year and annual reports will include compliance with the treasury indicators. Compliance with non-treasury prudential indicators will be reported along with the capital outturn report.</p> <p>The General Purposes Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

Content and frequency of management information reports	<p>The Finance Manager Pensions & Treasury produces a quarterly monitoring report for EMT Budget</p> <p>This report includes details of:</p> <ul style="list-style-type: none">• borrowing and investment activity undertaken including forward deals• brokers' fees• performance of internal and external investments against benchmark• cash flow monitoring• interest rates and forecasts• extent of compliance with the treasury strategy and reasons for variance (if any)• any other, e.g. details of daily bank balances against target balances• Prudential Indicator monitoring and compliance
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TMP7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The **Head of Corporate Finance** will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*.

The **Head of Corporate Finance** will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council's accounts is set out in the schedule.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed below.

Schedule

Statutory/regulatory requirements	<p><i>Balanced Budget Requirement:</i> The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects:</p> <p>(a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account, and</p> <p>(b) revenue costs which flow from capital financing decisions</p> <p>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p>
Accounting practices and standards	CIPFA's Accounting Code of Practice on Local Authority Accounting

Financial Statements	<p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> ▪ Management commentary ▪ Statement of Responsibilities for the annual accounts ▪ Movement in Reserves Statement ▪ Comprehensive Income and Expenditure Statement (Group and Council) ▪ Balance Sheet (Group and Council) ▪ Cash Flow Statement (Group and Council) ▪ Notes to the Financial Statements ▪ Housing Revenue Account ▪ Council Tax Income Account ▪ Non-Domestic Rates Income Account ▪ Common Good Fund ▪ Annual Governance Statement ▪ Statement of Accounting Policies ▪ Remuneration Report ▪ Independent Auditor's Report/Certificate ▪ Glossary of Terms
Format of the Council's accounts	<p>The current form of the Council's accounts is available https://new.enfield.gov.uk/services/your-council/statement-of-accounts/</p>
Disclosures relating to treasury management	<p>Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice.</p>
List of information requirements of external auditors	<p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.</p> <p>Information in this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.</p> <ul style="list-style-type: none"> ▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003 ▪ Prudential Indicators ▪ Treasury Management Strategy including Annual Investment Strategy <p><u>External borrowing</u></p> <ul style="list-style-type: none"> • New loans borrowed during the year: PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments) • Loan maturities • Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years. • Analysis of loans outstanding at year end including maturity analysis • Analysis of borrowing between long- and short-term • Debt management and financing costs <ul style="list-style-type: none"> ▪ calculation of (i) interest paid (ii) accrued interest ▪ interest paid • MRP calculation and analysis of movement in the CFR.

	<ul style="list-style-type: none"> • Bank overdraft position. • Brokerage/commissions/transaction related costs <p><u>Investments</u></p> <ul style="list-style-type: none"> • Investment transactions during the year including any transaction-related costs • cash and bank balances at year end • Short-term investments at year end • Long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end • calculation of (i) interest received (ii) accrued interest • actual interest received • Pooled funds' purchase and sale contract notes; notification of income distributions (if any) • Evidence of existence and title to investments (month-end / quarter-end statements) • Schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council. <p><u>Cash Flow</u></p> <ul style="list-style-type: none"> ▪ Reconciliation of the movement in cash to the movement in net debt ▪ Cash inflows and outflows (in respect of long-term financing) ▪ Cash inflows and outflows (in respect of purchase/sale of long-term investments) ▪ Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources <p><u>Other</u></p> <ul style="list-style-type: none"> ▪ Amounts which are held on behalf of schools, amounts which are held by schools under delegated schemes ▪ Details of (treasury-related) material events after balance sheet date not reflected in the financial statements. ▪ External advisors'/consultants' charges
Internal Audit	<p>Internal Audit generally conducts a bi-annual review of the treasury management function and probity testing.</p> <p>The internal auditors will be given access to treasury management information/documentation as required by them.</p>
Compliance with CIPFA Treasury Management and Prudential Codes	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>
Costs for treasury management	<p>The budget for treasury management forms part of the Corporate budget.</p>

TMP8: CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Head of Corporate Finance and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Finance Manager, Treasury & Pensions will ensure that these are adequate for the purposes of monitoring compliance with TMP1[2] *liquidity risk management*. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.

Schedule

<p>Arrangements for preparing /submitting cash flow statements</p>	<p>Cash flow forecasts will be viewed over <u>3-year</u> time horizons and will be used to formulate the Council's borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances.</p> <p>The cash flow forecasts and statements are held at operational level.</p> <p>The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.</p> <p>An outline medium-term cash flow model is prepared as part of the budget process, with projections for <u>3</u> further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan repayments and long-term investment maturities, and anticipated movements in reserves.</p> <p>A detailed annual cash flow is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a monthly basis. It identifies the major inflows and outflows on a month by month basis.</p> <p>It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council's various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years.</p> <p>Daily cash flows show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments.</p>
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Content and frequency of cash flow budgets	<p>The detailed annual cash flow model includes the following:</p> <ul style="list-style-type: none"> • revenue income and expenditure based on the budget • profiled capital income and expenditure as per the capital programme <p><i>examples</i></p> <p>Revenue activities</p> <p><u>Inflows</u></p> <ul style="list-style-type: none"> ▪ Revenue Support Grant ▪ Precepts received ▪ Non-domestic rates receipts ▪ NNDR receipts from national pool ▪ Council tax receipts ▪ DSS / other government grants ▪ Cash for goods and services ▪ Other operating cash receipts <p><u>Outflows</u></p> <ul style="list-style-type: none"> ▪ Salaries and payments on behalf of employees ▪ Operating cash payments ▪ Housing Benefit paid ▪ Precepts paid ▪ NNDR payments to national pool ▪ Payments to the capital receipts pool <p>Capital activities including financing</p> <p><u>Inflows</u></p> <ul style="list-style-type: none"> ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts <p><u>Outflows</u></p> <ul style="list-style-type: none"> ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments <p>Financing, servicing of finance/returns on investments</p> <p><u>Inflows</u></p> <ul style="list-style-type: none"> ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan <p><u>Outflows</u></p> <ul style="list-style-type: none"> ▪ Loan repayments ▪ Premia on premature repayment of loan ▪ Short-term investments ▪ Capital element of finance lease rental payments ▪ Interest paid ▪ Interest element of finance lease rental payments
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Monitoring, frequency of cash flow updates	<p>The annual cash flow statement is updated daily with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:</p> <ul style="list-style-type: none"> • Net RSG and NNDR payments as notified • County council and police authority precepts as notified • Actual salaries and other employee costs paid from account bank statements • Actual payments to Inland Revenue from general account bank statements • Actual council tax received from Civica • Actual rent allowances paid from Northgate • Actual housing benefit Civica • Actual council house rent cash received from Northgate due to change to Civica <ul style="list-style-type: none"> • Actual capital programme expenditure and receipts 										
Bank statements procedures	<p>The Council receives bank statements electronically on a daily basis. These are posted independent of the treasury function and are reconciled to the general ledger on a daily basis.</p>										
Payment scheduling and agreed terms of trade with creditors	<p>The Council has a policy of paying suppliers in line with agreed terms of trade and the following service standards.</p>										
Arrangements for monitoring debtor/ creditor levels	<p>Debtor levels are monitored using a monthly Sundry Debtors Monitoring Report, which will include an analysis of debt by age and details and details of recovery status. (ask exchequer payments team)</p> <p>The level of creditor invoices being processed/remaining unpaid is monitored on a daily basis.</p>										
Procedures for banking of funds	<p>Instructions for the banking of income are set out in the Financial Regulations. Cash and cheques received in the cashier's section are banked daily. Cashiers section now closed but cheques processed on a weekly basis.</p> <p>All the Council's sections are advised of the requirement to bank on a regular basis to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.</p>										
Listing of sources of information	<p>The treasury function receives cash flow information from the following persons/departments:</p> <table border="1" data-bbox="507 1581 1353 1738"> <thead> <tr> <th>Type of Information</th> <th>Source</th> </tr> </thead> <tbody> <tr> <td>Vat repay</td> <td>Vat officer</td> </tr> <tr> <td>Direct debit receipts</td> <td>Bottomline PTX</td> </tr> <tr> <td>Incoming Grants</td> <td>Grant Register</td> </tr> <tr> <td>Capital Receipts</td> <td>Legal Dept</td> </tr> </tbody> </table>	Type of Information	Source	Vat repay	Vat officer	Direct debit receipts	Bottomline PTX	Incoming Grants	Grant Register	Capital Receipts	Legal Dept
Type of Information	Source										
Vat repay	Vat officer										
Direct debit receipts	Bottomline PTX										
Incoming Grants	Grant Register										
Capital Receipts	Legal Dept										

TMP9: MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule below.

Schedule

Anti-money laundering policy	<p>This Council's policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.</p>
Treasury documentation	<p>The Council will reflect the anti-money laundering measures it has in place as part of its treasury documentation. Such measures include:</p> <ul style="list-style-type: none"> • Awareness of what constitutes money laundering • The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed • Maintaining up-to-date direct dealing and SSI mandates with counterparties
Nomination of Responsible Officer(s)	<p>(a) The Council has nominated Head of Internal Audit to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated</p> <p>(b) The Head of Internal Audit will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed, so they are alert for suspicious transactions</p> <p>(c) The Head of Internal Audit will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS)</p>

<p>Procedures for establishing the identity/authenticity of Lenders and Borrowers</p>	<ul style="list-style-type: none"> (a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in <i>TMP4 Approved instruments, methods and techniques</i> (b) The Council will not accept loans from individuals. (c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list (d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/Prudential Regulation Council's website (e) All receipts/disbursements of funds will be undertaken by <u>Bacs</u> or <u>CHAPS</u> settlement (f) Direct dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed (g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts (h) If the Council takes/provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals (i) When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details
<p>Identifying sources of borrowing/investment</p>	<p>When borrowing/investing funds for treasury management purposes, the Council will only borrow from and invest with sources and counterparties as identified in the <i>Treasury Management Strategy</i>. The criteria for the construction and management of the lending list are detailed in <i>TMP1 Risk Management</i>.</p>

TMP10: TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Finance Manager - Pensions & Treasury will recommend and implement the necessary arrangements.

The Director of Finance will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule below.

Schedule

Details of approved training courses	<p>The courses/events the Council would expect its treasury personnel to consider are:</p> <ul style="list-style-type: none"> ▪ Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, Financial Management run by CIPFA and the Association of Corporate Treasurers and other appropriate organisations ▪ Any workshops/seminars run by Treasury Management Consultants ▪ Attending CIPFA Conference ▪ Training attended by those responsible for scrutiny of the treasury function <p>The Council participates in a CIPFA Employer Accreditation Scheme for CPD purposes which is based on planning, recording and evaluating development. Employees are required to register with the scheme and declare participation in the CPD scheme annually.</p>
Records of training received by treasury and other relevant staff	Treasury-related training records are maintained
Records of training received by those charged with governance	Training records are maintained of members/committees responsible for governance of treasury management.

TMP11: USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Finance Manager - Pensions & Treasury and details of the current arrangements are set out in the schedule below.

Schedule

Contract threshold	The Council's Financial Regulations require that a formal contract is in place with external service providers. The contract will clearly state the services to be provided and the terms on which they will be provided.
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<p>Details of contracts with service providers, including bankers, brokers, consultants, advisers and details of the services provided</p>	<p>(a) Bankers to the Council HSBC 1 The Town, Enfield, Middx EN2 6LD Contract period: Dec 2018 to Dec 2023 Formal agreement in place: yes</p> <p>(b) Treasury advisor Arlingclose Ltd 35 Chiswell Street London EC1Y 4SE Tel. 0844 8808 200 Contract period: 01/10/18 to 31/09/23 Formal agreement in place: yes/no</p> <p>(c) Brokers It is considered good practice for the Council to have at least seven brokers and to spread business between them. Tradition 15 St Botolph Street Beaufort House EC3A 7QX Tel. 0207 422 3566> Contract period: n/a to n/a Formal agreement in place: yes/no</p> <p>BGC Brokers 5 Churchill Place London E14 5HU Tel. 0207 894 7742 Contract period: n/a to <n/a Formal agreement in place: yes/no</p> <p>ICAP 2nd Floor 135 Bishopgate London EC2M 3TQ Tel. 0203 933 2292 Contract period: n/a to <n/a Formal agreement in place: yes/no</p> <p>Tullett Prebon 135 Bishopgate London EC2M 3TP Tel. 0207 200 7042 Contract period: n/a to <n/a Formal agreement in place: yes/no</p> <p>RP Martin Brokers Level 3 1 Snowden Street London EC2A 2DQ Tel. 0207 894 8698 Contract period: n/a to <n/a Formal agreement in place: yes/no</p> <p>Imperial Treasury Imperial House 5 Port Hill Hertford SG14 1PJ Tel. 01992 945 550 Contract period: n/a to <n/a Formal agreement in place: yes/no</p>
<p>Bribery Act</p>	<p>The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers</p>

TMP12: CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Treasury Management Code of Practice. This, together with the other arrangements detailed in the schedule below, is considered vital to the achievement of proper corporate governance in treasury management, and Finance Manager - Pensions & Treasury will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Schedule

Stewardship responsibilities	The Executive Director of Resources ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.
List of documents to be made available for public inspection	The following documents are freely available for public inspection: <i>Examples</i> <ul style="list-style-type: none"> ▪ Annual Statement of Accounts ▪ (if applicable) Budget Book ▪ <u>5</u> Year Capital Plan ▪ Treasury Management Policy ▪ Capital Strategy ▪ Treasury Management Strategy including the Annual Investment Strategy (which will include treasury and non-treasury investments) ▪ Budget Monitoring Reports ▪ Annual Outturn and Mid-Year Treasury Report
Council's website	Financial information is additionally available on the Council's website.
Procedures for consultation with stakeholders	Members and senior officers of the Council are consulted via reports to the General Purpose Committee, Cabinet and officer/member briefing sessions.
List of external funds managed on behalf of others and the basis of attributing interest earned and costs to these investments	The Council manages the following external funds on behalf of others: <ol style="list-style-type: none"> 1. Schools balances 2. Pension fund - treasury balances <p>The basis of attributing interest earned and costs to the Schools balances is as follows:</p> <ul style="list-style-type: none"> • Rate of interest used is average rate earned on all investments for the year less 0.5% • Costs of administering these investments are worked out by the team and included in the interest discount applied to deposits.

TMP13: INVESTMENTS THAT ARE NOT PART OF TREASURY MANAGEMENT ACTIVITY

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all its investments are covered in the Capital Strategy, investment strategy or equivalent, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investment, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

The Council recognises that many of the principles underlying TMPs 1 to 12 will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly. A published schedule has been agreed by that sets out the investment practices for non-treasury investments and this will be complied with by all officers or agencies responsible for such investments.

Schedule

<p>Register of non-treasury investments and financial guarantees</p>	<p>A regularly updated list of non-treasury investments, existing material investment, subsidiaries, joint ventures and liabilities and financial guarantees is maintained. An outline of such investments is in the Council's Property Strategic Asset Plan</p> <p>https://www.enfield.gov.uk/_data/assets/pdf_file/0016/5254/strategic-asset-management-plan-property-and-economy.pdf and <i>Capital Strategy</i> http://governance.enfield.gov.uk/documents/s91339/KD5353%2010-yr%20Capital%20Prog%202022-23%20to%202031-32%20Cabinet%20Final%20v3%20mb-COUNCIL-16.02.pdf and a summary is below:</p> <p>Service Investments (Non Treasury)</p> <ol style="list-style-type: none"> a. Investment property portfolio <ul style="list-style-type: none"> • Montagu Industrial Estate, valued 31/3/2021 at £25.0m and held for both income and capital appreciation • Clavering Estate, valued 31/3/2021 at £7.1m, and held for both income and capital appreciation • Rural Farm Portfolio valued 31/3/2021 at £32.3m held for returns b. Investment in subsidiaries <ul style="list-style-type: none"> • 100% holding in Lee Valley Heat Network Operating Company Ltd (trading as Energetik) valued at £2.4m at 31/3/2021 held for long-term investment returns • 100% holding in Housing Gateway Limited, valued at £7.6m and held for both capital appreciation and for delivery long-term affordable rents to residents, reducing the strain on the revenue budget via avoidance of temporary accommodation costs. c. Investment in joint ventures <ul style="list-style-type: none"> • 50% share with partner, Henry Boot Ltd, in Montagu 406 Regeneration LLP for regeneration of tired industrial estate for generating both business rate growth, strengthening local employment and generating rental income. Investment into Montagu 406 by partners is conducted through member loans. Such loans are considered interest-free, unless the balance of member loans diverges from a 50/50 split between partners. In this event, the loans may incur interest for either partner on the value of the share above 50%. d. Loans supporting service outcomes <ul style="list-style-type: none"> • Both HGL and Energetik are loaned £122m and £13m respectively. There are further approved loan facilities for Energetik in the amount of £61.3m (making a total potential exposure of £74.3m). There are further facilities included in the 10-year Capital Programme to fund HGL, in the amount of £92.8m. The total amount projected to be invested in Montagu LLP stands at £50.5m. <p>Financial guarantees</p> <ul style="list-style-type: none"> • Only guarantees relate to Energetik and the guarantee to the HNIP, MEEF, EIB and LEEF for the loans and grants provided
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	to the Council for the purpose of Energetik' s delivery of the heat network.
Due diligence process	<p>Externally commissioned due diligence is undertaken on the basis of the business case put forward for each non-treasury investment. Responsibility for commissioning due diligence will lie with the Shareholder function. The due diligence will include (but will not be limited to):</p> <ul style="list-style-type: none"> - Validation of assumptions and calculations within financial information, and the reasonableness of the assumptions made; - Scenario testing of financial models, including testing of more conservative assumptions and less successful customer numbers, to assess risk contingency; - Draw down timetable and time profiling of risk exposure levels; and - Time profiling of benefit realisation and associated NPV <p>Due diligence reports will be included within the information presented to the appropriate person or committee for decision-making. Previous examples of due diligence can be identified under Key Decisions</p>
Schedules maintained	<p>The published schedule is review by General Purposes Committee and agreed by full Council and sets out the organisation's investment management practices for non-treasury investments. Schedules will be maintained for non-treasury investments covering the following:</p> <ol style="list-style-type: none"> 1. <i>Risk management including investment and risk management criteria;</i> 2. <i>Decision making, governance and organisation including a statement of your Council's governance requirements for decision making and arrangements to ensure proper due diligence support decision making;</i> 3. <i>Reporting and management information;</i> 4. <i>Performance measurement and management including methodology for assessing performance and success;</i> 5. <i>Training and qualifications including acquiring the necessary knowledge and skills for the management of non-treasury investments</i>

1. Risk Management	<p><i>Non-treasury investments will be considered on the basis of a prepared business case. The business case will, as a minimum:</i></p> <ul style="list-style-type: none"> - <i>Model the profit and loss, cash flow, and where appropriate balance sheet, of the proposal for a minimum of 10 years, on a basis of clearly stated financial assumptions (e.g. interest rates) as required;</i> - <i>Identify both financial and non-financial benefits (specific the Enfield borough) that will be delivered, including a realisation timeline;</i> - <i>A timeline of funding required; including a breakdown of costs;</i> - <i>Subsidy control implications and advice (if relevant), and revenue budget implications for the Council.</i> <p><i>The business case will be subject to due diligence as detailed in other schedules.</i></p> <p><i>The criteria that will be considered in determining whether to proceed with an investment are:</i></p> <ul style="list-style-type: none"> - <i>The level of exposure and the security of the investment, with particular regard to the presence of assets to secure any loan funding</i> - <i>The projected value of benefits, including NPV</i> - <i>The Council's overall capital position, and how this would be impacted by the level and timing of funding required</i> - <i>The revenue budget implications</i> - <i>How the project would contribute to the Council's Corporate Plan objectives and</i> <p><i>The Governance approval process will be as dictated by the Council's Scheme of Delegation for the total amount of funding to be approved. The responsibility for reports and approval will lie within the Shareholder or Commercial functions as appropriate, with input from Finance, Treasury and service teams as appropriate.</i></p>
-	<p><i>Independent expertise is brought in at the business case stage, prior to the approval of any investment. Please see due diligence schedule. Independent, external legal advice is also commissioned on any investment with Subsidy Control (formerly State Aid) implications.</i></p> <p><i>Individual reviews may also be commissioned, for example strategic reviews on subsidiary companies or their business plans. These will consider the Council's priorities for its investments, both individually and holistically, and what forward strategy will best deliver the priorities.</i></p> <p><i>Commissioning of external review and advice lies with the shareholder function, or the Legal function in regard to Subsidy Control advice.</i></p>
2. Decision making, governance and organisation	<p><i>The Governance approval process will be as dictated by the Council's Scheme of Delegation for the total amount of funding to be approved. The responsibility for reports and approval will lie within the Shareholder or Commercial functions as appropriate, with input from Finance, Treasury and service teams as appropriate.</i></p>

3. Performance measurement and management	<p>Quarterly monitoring of delivery will be undertaken, according to a standard template and utilising projections and KPIs as stated within the business case/business plan.</p> <p>Projects will report annually to Cabinet on performance, including comparison to the projected business plan/business case.</p>
4. Reporting and management information	<p>Cabinet and General Purpose Committee - annual performance report</p> <p>Assurance Board - quarterly performance report</p>
5. Training and qualifications	<p>Each project will outline skills required within the business case, and a skills matrix will be maintained within the project/company and reviewed on an annual basis.</p>

Notes:

Items the Council would maintain at operational level in an 'Operations Manual' as referred to in this template:

1. The Council's Credit Criteria
2. Current Lending List
3. Business Reserve Accounts / Money Market Funds
4. Counterparties with whom the Council deals direct
5. Dealing checklist
6. Deal ticket proforma
7. Format of the Council's Standard Settlement Instructions form
8. Settlement Procedures
9. Procedure Notes for the Council's on-line banking system
10. Procedure Notes for the Council's treasury management system
11. Procedure Notes for dealing online with counterparties
12. Procedure for dealing with requests for change of banking/payment details

London Borough of Enfield**General Purposes Committee****19 January 2023**

Subject:	Audit and Risk Management Service Progress Update
Cabinet Member:	Cllr Tim Leaver, Cabinet Member for Finance & Procurement
Executive Director:	Terry Osborne, Director of Law and Governance
Key Decision:	No

Purpose of Report

1. The Audit and Risk Management Service Progress Update Report at 30 November 2022 (**Annex A**) summarises:
 - the results of the work that the Audit and Risk Management Service has undertaken during the period 1 April 2022 to 30 November 2022.
 - the continued work of the Head of Internal Audit and Risk Management, in collaboration with the internal Assurance Board, to target limited audit resources at the highest priority Corporate and Schools' services.

Proposal

- The General Purposes Committee is recommended to note the work completed by the Audit and Risk Management Service during the period 1 April 2022 to 30 November 2022 and the key themes and outcomes arising from this work.

Reason for Proposal

2. In line with the Council's Internal Audit Charter which is based on the requirements of the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit and Risk Management has a responsibility to regularly update the General Purposes Committee on the work of the Audit and Risk Management Service through periodic and annual reports.

Relevance to the Council's Plan**Good Homes in Well-Connected Neighbourhoods**

3. An effective Audit and Risk Management Service helps to provide assurance over any risks that might adversely affect the delivery of good homes in well-connected neighbourhoods.

Safe, Healthy and Confident Communities

4. An effective Audit and Risk Management Service is an essential management tool which will help the Council achieve its objectives to sustain safe, healthy, and confident communities.

An Economy that Works for Everyone

5. An effective Audit and Risk Management Service will help the Council achieve its objectives in building a local economy that works for everyone.

Background

6. In line with the Council's Internal Audit Charter which is based on the requirements of the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit and Risk Management has a responsibility to regularly update the General Purposes Committee on the work of the Audit and Risk Management Service through periodic and annual reports.
7. These reports should include details of audit activities with significant findings along with any relevant recommendations. Periodic information on the status of the annual audit plan should also be included.
8. The Internal Audit Plan for 2022/23 was agreed by the General Purposes Committee on 3 March 2022.
9. **Annex A** summarises the work completed by the Audit and Risk Management Service between 1 April 2022 and 30 November 2022.

Main Considerations for the Council

10. Any large complex organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate risks it may face.
11. The Audit and Risk Management Service supports management in the identification and mitigation of risks as part of its work.

Safeguarding Implications

12. There are no safeguarding implications arising directly from this update from the Audit and Risk Management Service.

Public Health Implications

13. Whilst the risk registers are produced to identify risks to Public Health (among other issues) and enable preventative action to be undertaken, there are no Public Health implications arising directly from this update from the Audit and Risk Management Service.

Equalities Impact of the Proposal

14. Following the completion of the Corporate Equalities Impact Assessment initial screening, this report does not have an Equalities impact.

Environmental and Climate Change Considerations

15. There are no environmental and Climate Change considerations arising directly from this update from the Audit and Risk Management Service. However, an advisory audit on Climate Change was completed as part of the 2020/21 Audit Plan, which recognises the risk posed and the priority that climate action is now being given within the Council.

Risks that may arise if the proposed decision and related work is not taken

16. The Audit and Risk Management Service supports management in the identification and mitigation of risks as part of its work and therefore, if this work is not carried out, reviewed, and followed up, the Council faces the risk of legal, financial, and reputational loss.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

17. The risk of financial and reputational losses may still arise but following this proposal will ensure management is fully apprised of the risk and that cover is in place for potentially significant losses.

Financial Implications

18. Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should “make arrangements for the proper administration of their financial affairs”. The Chief Finance Officer (Section 151 Officer) in a local authority must lead the promotion and delivery, by the whole authority, of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. The role of the Section 151 includes ensuring that the systems and processes for financial administration, financial control and protection of the authority’s resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice. The Accounts and Audit (England) Regulations 2015 requires that a ‘relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control’.

19. The role of audit supports this by undertaking a review of the controls in place. The Internal Audit plan sets out in partnership to achieve this by:

- Ensuring that the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes.
- Ensuring that these controls are an integral part of the authority’s underlying framework of corporate governance and that they are reflected in its local code.

20. In this context, the Internal Audit plan is developed in partnership with the wider organisation, seeking to focus on areas of the greatest risk in order to ensure that

the appropriate controls are in place and where controls are found to be inadequate plans to address these are implemented.

Legal Implications

21. The Accounts and Audit Regulations 2015 (the '2015 Regulations') places an obligation on local authorities to maintain a system of internal audit whereby it:

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

22. This report addresses the statutory obligations for local audit processes in compliance with the 2015 Regulations, the Public Sector Internal Audit Standards (PSIAS) and relevant statutory legislation and guidance.

Workforce Implications

23. There are no workforce implications arising directly from this update from the Audit and Risk Management Service.

Property Implications

24. There are no property implications intrinsic to the proposals in this report.

Report Author: Gemma Young
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Gemma.Young@Enfield.gov.uk
Tel: 07900 168938

Date of report: 9 January 2023

Appendices

Annex A: Audit and Risk Management Service Progress Update

Background Papers

None



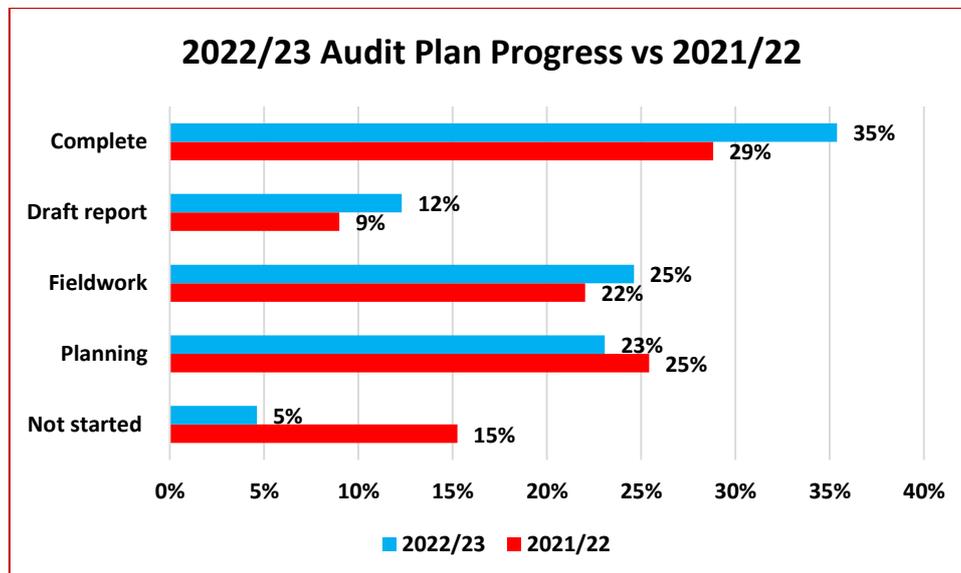
Audit and Risk Management Service Progress Update 30 November 2022

Internal Audit

2022/23 Internal Audit Plan

During the period 1 April 2022 to 30 November 2022, the Internal Audit team has commenced 62 assignments (95% of the plan) of which 23 (35%) have been completed. For the same period in 2021, 50 audits (85%) had commenced and 17 (29%) had been completed.

The following chart summarises the 2022/23 progress compared to 2021/22:



Changes to the 2022/23 Internal Audit Plan

Since the internal audit plan was approved by the General Purposes Committee in March 2022, 18 audits have been cancelled, and 13 audits have been added.

The cancelled audits are:

Corporate Risk Reference	Department	Audit	Reason for Cancellation
CR02	Resources	Education Funding	This priority 2 audit was cancelled to align the internal audit plan to available resource.
CR02	Cross Cutting	Local Authority Test and Trace Support Grant	Advised by Finance that this grant is to be reported jointly with the Contain Outbreak Management Fund (COMF) grant. Therefore this separate grant cancelled.
CR02	People	Supporting Families - May	Audit cancelled at client request. Sample included in June certification.
CR02	People	Supporting Families - Aug	Cancelled at client request. Sample included in September certification.
CR02	People	Supporting Families - Nov	Cancelled at client request. Sample to be included in December certification.
CR04	Cross Cutting	Data Governance	As higher priority audits were added to the plan, this priority 2 audit was cancelled to align the internal audit plan to available resource.
CR04	Cross Cutting	Smarter Working Policy	Audit cancelled to align plan to resources available.
CR05	People	Enfield Early Help for All Strategy	In preparation for a bid to the Department for Education linked to Early Help, the Council has recently reviewed the early help strategic governance with partners. As a result a higher priority audit has been added to the plan and this priority 2 audit has been cancelled.
CR05	People	Post 16 Services	Agreed with the Director of Education to defer to 2023/24, pending delayed announcements from the Department for Education regarding defunded courses.
CR08	Cross Cutting	Use of Spreadsheets	This audit was originally a request from Finance. The Finance Improvement Board has requested the deferral with the intention of reconsidering the

Corporate Risk Reference	Department	Audit	Reason for Cancellation
			audit in the medium term.
CR11	Place	Governance and Management of a Key Capital Project 1 - Cemetery Project	Agreed to cancel at Place Department Management Team meeting. A review of this project has already been undertaken and changes have been made.
CR12	People	PFI Contract Monitoring	As higher priority audits were added to the plan, this priority 2 audit was cancelled to align the internal audit plan to available resource.
CR12	Place	Highways Inspections	The implementation of a new inspection regime was delayed. Therefore the audit has been deferred to 2023/24 when new inspections will have been embedded.
CR14	Cross Cutting	Culture	As higher priority audits were added to the plan, this priority 3 audit was cancelled to align the internal audit plan to available resource.
CR19	Place	Building Safety	The full implementation of new building safety legislation has not been completed, and the audit is best timed to review our compliance when all aspects of the new arrangements are in place. The audit will now take place in 2023/24.
CR19	Chief Executives	Supporting Members	To align resources this audit will be combined with the Members' Ethics audit.
CR19	Chief Executives	Organisational Governance	As higher priority audits were added to the plan, this priority 3 audit was cancelled to align the internal audit plan to available resource.
Other	Schools	Freezywater St George's CE Primary School.	Due to the absence of key staff at the school, this audit has been deferred to 2023/24

The additional audits added to the 2022/23 internal audit plan are:

Corporate Risk Reference	Department	Audit	Description
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Corporate Risk Reference	Department	Audit	Description
CR02	Place	Culture Recovery Fund III	Deferred from 2021/22
CR02	Cross Cutting	Protect and Vaccinate Grant	Grant certification required
CR02	People	Highlands School Grant	Grant certification required
CR02	People	Universal Drug Treatment Grant	Grant certification required
CR02	People	Adult Weight Management Grant	Grant certification required
CR03	CEX	Staff Ethical Standards	Deferred from 2021/22
CR04	People	Youth Justice Re-offending Rates	Requested by Executive Director, People
CR05	People	SEN Commissioning	Deferred from 2021/22
CR08	Cross Cutting	Board Reporting	Deferred from 2021/22
CR08	Cross Cutting	Use of Spreadsheets	Deferred from 2021/22
CR09	Cross Cutting	Security Board	Deferred from 2021/22
CR11	Place	Meridian Water: Financial Management of Capital Expenditure	Deferred from 2021/22
CR13	Resources	Oversight of Energetik Loan Repayments and Connection Timelines	To review performance monitoring of connection timelines and loan repayments.

A revised version of the 2022/23 internal audit plan is attached at **Appendix A**.

Completed Audits

23 audits have been completed to 30 November 2022:

Corporate Risk Reference	Department	Audit	Assurance Level
CR02	Place	Parking Contract	Limited
CR09	Cross Cutting	Corporate Health and Safety Board	Limited
CR17	Place	Recycling Waste Services Contract	Limited
CR05	People	Passenger Services Operations - Adults	Reasonable
Other	Schools	Chace Community School	Reasonable

Corporate Risk Reference	Department	Audit	Assurance Level
Other	Schools	Carterhatch Infants School	Reasonable
CR11	Place	Meridian Water: Financial Management of Capital Expenditure	Substantial
CR20	Resources	Accounts Receivable	Substantial
CR09	Cross Cutting	Corporate Security Board	N/A – Advisory
CR02	Cross Cutting	Contain Outbreak Management Fund Grant (COMF) and Local Authority Test and Trace Grant Certification	N/A – Grant Certification
CR02	Cross Cutting	Protect and Vaccinate Grant	N/A – Grant Certification
CR02	People	Adult Weight Management Grant	N/A – Grant Certification
CR02	People	Supporting Families - June	N/A – Grant Certification
CR02	People	Supporting Families - July	N/A – Grant Certification
CR02	People	Supporting Families - Sept	N/A – Grant Certification
CR02	People	Supporting Families - Oct	N/A – Grant Certification
CR02	People	Bus Service Operators Grant	N/A – Grant Certification
CR02	People	Universal Drug Treatment Grant	N/A – Grant Certification
CR02	Place	Culture Recovery Fund III	N/A – Grant Certification
CR02	Resources	Test and Trace Support Payments Scheme	N/A – Grant Certification
CR02	People	Highlands School Grant Certification	N/A – Grant Certification
CR02	Schools	Orchardside School Grant Certification - Alternative Provision Specialist Taskforces Programme	N/A – Grant Certification
CR17	Cross Cutting	Green Homes Grant	N/A – Grant Certification

Internal Audit Plan – Limited Assurance Reports

Since the last update to this Committee, one audit with **Limited** assurance opinion has been issued. The following summary from the audit report briefly explains the reasoning behind the assurance opinion:

Parking Contract

The audit was designed to provide assurance that appropriate controls are in place and are working effectively around the delivery of contracted services and the reconciliation of income from the current parking contract.

During this audit we identified: **1 high risk** and **3 medium risk** findings. This has resulted in an overall **Limited** assurance opinion.

The following **high risk** finding was identified:

1. No checks had been undertaken on charges invoiced for CCTV, notice processing and cashless parking (c.£100k monthly). We were unable to confirm any checks had been carried out on civil enforcement officer costs due to sample checks being undocumented (c.£120k monthly).

The following **medium risk** findings were identified:

1. Performance reporting was not undertaken in line with the Council's contract procedure rules nor escalated to senior management. Operational management meeting notes did not provide sufficient information on discussions and actions agreed.
2. Liquidated damages for 2020/21 were unclaimed, and no penalties had been imposed in relation to underperformance. We were advised that this was in lieu of additional services provided by the contractor
3. Although procedure notes were in place, they were not comprehensive, nor version controlled. The procedure notes hadn't been reviewed since 2018. Also, there is no process map in place detailing clear roles and responsibilities.

Recycling Waste Services Contract

At the last meeting Committee meeting, an update on the action implementation progress from the Recycling Waste Services Contract was requested. All actions have been implemented pending validation by the Internal Audit team.

Progress is summarised below:

Finding Title	Risk Category	Agreed Action	Original Due Date	Status
Contract Reporting	High	1.1 The Service will continue working with Procurement to formalise and improve the contract management processes in place and will ensure that: <ul style="list-style-type: none"> - All required data, outlined in schedule 7 of the contract, is received in full, as and when applicable, and is appropriately retained. - In the event that any of the agreed information is no longer relevant, this will be agreed and documented. - A current Service Continuity Plan is obtained. - Performance meetings, held between the Council and the contractor, are minuted and circulated to relevant personnel. 	31-Dec-2022	Complete pending validation

Finding Title	Risk Category	Agreed Action	Original Due Date	Status
Invoice Checking Processes	High	<p>2.1 The quarterly invoice for January to March 2022 will be reviewed to identify where the overcharge was made and to ensure future checks are appropriately robust.</p> <p>2.2 The internal PayMech process document will be updated to reflect:</p> <ul style="list-style-type: none"> - The current working practices in operation. - The most up to date processing and disposal rates received. - A second officer will be trained in the process to ensure other potential over/under charges do not go unnoticed in the future. - This process document will be reviewed annually, or when there is a change in circumstances, and will be included as a part of the service procedure document (see finding 3). 	31-Dec-2022	Complete pending validation
Performance Management Checks	Medium	<p>3.1 Performance management checks in operation will be documented and added to service procedure notes, specifically including:</p> <ul style="list-style-type: none"> -The agreed sample quantity for the checking of accepted/ rejected loads. -Ensuring that the monthly tip ticket to tonnage report checks are signed off by the responsible officer and then independently reviewed. -The sample checks undertaken by the contractor and how Gravimetric data is monitored and used by the Council. 	31-Dec-2022	Complete pending validation
Rejected Load Inspections	Medium	<p>4.1 The changes to the contract will be agreed and documented. The new rejected load processes, including any on site spots checks, will be included in the service procedure document (see finding 3).</p>	31-Dec-2022	Complete pending validation
Waste Services Trend Analysis	Low	<p>5.1 Data analysis will be enhanced to monitor trends more regularly to establish whether there are peaks and/or trends over a period of time, or patterns in particular areas, that relate to the increase in contaminated waste.</p> <p>5.2 This trend analysis will be used to assist the medium and long term improvements plans that are currently in operation.</p>	31-Dec-2022	Complete pending validation

Annual Internal Audit Opinion

The Public Sector Internal Audit Standards (PSIAS) apply to all internal audit service providers in the UK public sector.

The PSIAS require the chief audit executive (who at the London Borough of Enfield is the Head of Internal Audit and Risk Management) to deliver an annual internal audit opinion.

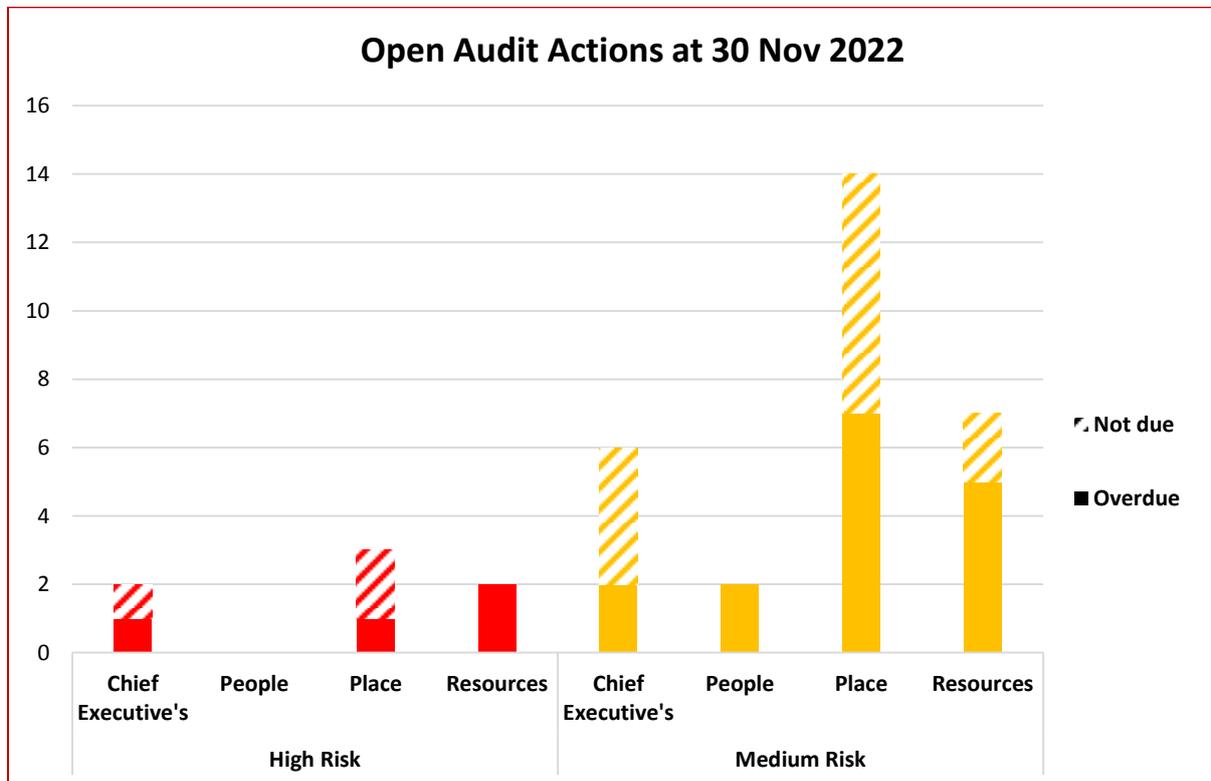
Whilst we continue to make progress in delivering the audit plan, it should be noted that have not yet completed sufficient audits on which to base the annual internal audit opinion. This is being reported to, and monitored by, the Assurance Board and we will continue to update the Committee.

Corporate Audit Actions Implementation

The Internal Audit and Risk Management team is responsible for tracking managers' progress with implementing internal audit actions.

As at 30 November 2022, the implementation rate (12-month rolling basis) for actions from high risk findings is 82% and for medium risk findings is 81%.

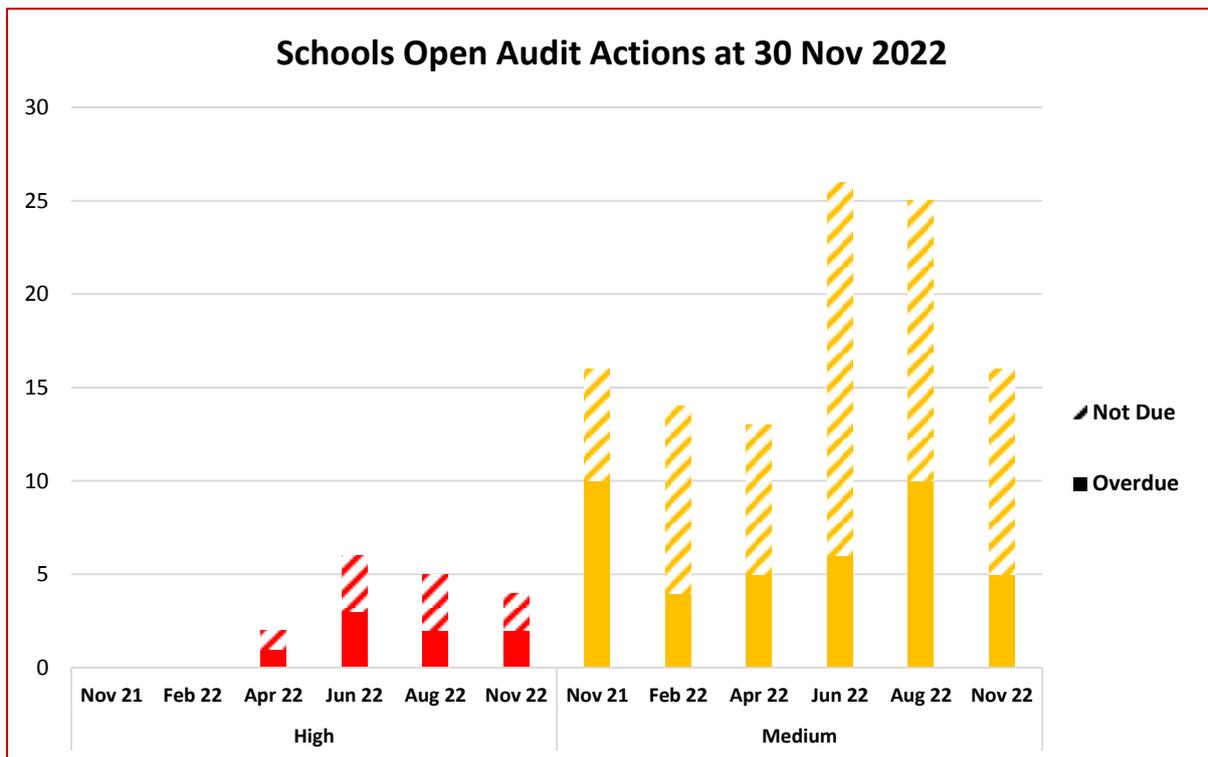
36 actions from high and medium risk findings identified from corporate audits remain open. Of these, 21 actions (4 high risk and 16 medium risk) were not fully implemented by their original due date and are, therefore, classed as overdue. Overdue actions are shown by the solid coloured bars in the graph below.



Details of the overdue corporate actions from high risk findings are provided in **Appendix B**.

Schools' Actions Implementation

At 30 November 2022, four actions from high-risk findings remain open; two of these are overdue. 16 actions from medium risk findings are open, of which 7 are overdue. The following chart summarises progress on schools' open audit actions over the last year.



In line with our escalation policy, overdue schools' actions are regularly notified to the Director of Education.

Internal Audit Quality Assessment

Performance of the Internal Audit service against agreed Key Performance Indicator (KPI)/quality metrics for 2022/23 to date is:

KPI / Quality Metric	Target	Actual
Days from end of fieldwork to issue of draft report	15	13
Days from receipt of management comments to issue of final report	10	3
Level of satisfaction score with audit work	80%	93%*
% of the audit plan delivered to draft report stage	95%	48%
	By 31 March	

* The level of satisfaction with audit work is determined by way of client satisfaction surveys issued after finalising every audit. Three survey responses have been received so far this year.

Counter Fraud

Savings Identified

As at 30 November 2022, the Counter Fraud team has identified savings of **£1.7m**, including notional housing savings via the recovery of properties used as Council Housing or temporary accommodation. Further details of these savings and the work undertaken are given below.

Counter Fraud Savings

The work routinely undertaken by the Counter Fraud Team (CFT) generates savings directly for the Council (for example, where a Right to Buy application is stopped) as well as for Central Government where we administer schemes on their behalf, such as those covering business grants and housing benefit payments.

These savings are classified as either:

Detected: where fraud has taken place and an overpayment has been identified.

or

Prevented: where fraud would have occurred had the CFT not intervened.

or

Notional: estimated savings generated by housing recoveries.

The team has an annual target to identify savings from frauds investigated or prevented to the value of **£2.75m**.

As at 30 November 2022, the CFT has identified detected and prevented savings of **£1.44m** as outlined in the table below. The CFT also contributed to notional housing savings of **£262k** through the recovery of properties used improperly as Council housing or temporary accommodation.

Savings Identified as at 30 November 2022

Fraud Type	Detected (£)	Prevented (£)
Right to Buy		900,299
National Fraud Initiative – Single Person Discounts	284,434	
National Fraud Initiative – Student Matches	62,227	
Financial Investigations)	45,548	
Business Grants	70,810	
Business Rates	32,546	
Housing Benefit	11,264	
No Recourse to Public Funds		26,667
Council Tax Reduction Scheme & Discounts	6,317	
Theft	2,289	
Benefit Penalties	294	
Sub-totals	515,729	926,966
Total	£1,442,695	

The CFT continues to support the work of the Place Operations and Temporary Accommodation Procurement teams to identify and recover possession of properties that

are no longer occupied by the tenants, usually because these have been abandoned or sub-let.

The following table shows the number of properties that have been recovered by the Counter Fraud, Neighbourhood and Temporary Accommodation teams:

Housing Recoveries 1 April 2022 to 30 November 2022

Fraud Type	Annual Target	YTD Target November 2022	Actual November 2022	Variance	Notional Savings **
Council Properties Recovered	75	50	6	(44)	£252,000
TA / HA Properties Recovered	25	17	4	(13)	£10,000
Overall *	100	67	10	(57)	£262,000

* Includes recoveries identified by the Place Operations and Temporary Accommodation Procurement teams, supported by Counter Fraud Officers.

** The Notional Value attributed to recovery of a Council property is the amount of £42k per property as per the calculation published by the Tenancy Fraud Forum in April 2022; the figure takes into account the average annual cost of providing temporary accommodation for a family who could otherwise have occupied the recovered property, plus average investigation and legal costs. The Notional Value of a Temporary Accommodation recovery is based on the net annual cost to the Council of acquiring a property for use as temporary accommodation.

Counter Fraud Caseload

The current caseload is summarised in the table below:

Counter Fraud Caseload 1 April 2022 to 30 November 2022

Fraud Type	Opened	Closed
Business Rates (incl. grants)	19	10
Council Tax	3	2
Employee	9	4
Financial Investigations	1	4
Housing – household amendments	15	14
Housing – Right to Buy	43	52
Housing – succession applications	23	26
Housing – temporary accommodation	-	1
Housing – tenancy issues	35	31
No Recourse to Public Funds	8	8
Miscellaneous	5	1
Personal Budgets	1	2
Procurement	2	-
Schools	-	-
Totals	164	155

National Fraud Initiative, Fraud Hub and Tenancy Fraud Pilot

We have recently submitted the Council's data that will be matched against other Councils' records to identify cases of potential fraud as part of the mandatory National Fraud Initiative (NFI) exercise that is co-ordinated every two years by the Cabinet Office. Results will be returned in Q4.

Using existing NFI data matches between our Housing Benefit data and Student Loans records, we have been working on a joint project with the Financial Assessments Team that has to date identified benefit overpayments to the value of £62k.

We also subscribe to the NFI Fraud Hub, which offers us more flexibility in terms of the timing of our matches (as opposed to once every two years).

Work is continuing on the pension and blue badge matches against deceased persons records that the hub has generated; this has allowed us to update our records regarding 200 blue badge holders who have been confirmed as deceased.

As previously reported, Enfield Council is one of only 15 organisations nationally who have been selected to participate in a Housing Tenancy Fraud Pilot. The initial results of the matching have been received; this identified over 1,500 tenancies that have been designated as high-risk although the Counter Fraud Team is working with NFI to further refine these results.

Undeclared Secondary Employment

The Counter Fraud Team have been involved with a small number of cases where employees working remotely have taken undeclared, additional employment.

Those employees identified have all either resigned or had their employment terminated on discovery of the undeclared work.

This is an emerging risk area with the move to remote working and although the National Fraud Initiative will help identify employees who have undeclared employment with another local authority, the Counter Fraud Team are also undertaking a pro-active exercise designed to identify employees with undeclared second jobs.

A London-wide initiative is planned for 2023/24 to identify agency workers who may be working for more than one employer.

International Fraud Awareness Week 2022

Between 14 and 18 November, the Counter Fraud Team hosted a series of online Lunch and Learn sessions for staff to mark International Fraud Awareness Week 2022.

This year's theme was how to stay Fraud Aware in the workplace and at home, and the five sessions covered the topics of multiple working, procurement fraud, identity fraud, cyber fraud and insurance fraud.

The opportunity was also taken to publicise the Council's whistleblowing arrangements for staff wishing to report fraud in confidence.

The sessions were well-attended and generated positive feedback for the team.

Public Finance Awards 2022 Winners

Having been shortlisted in the category of Outstanding Fraud Detection and Recovery at the Public Finance Awards for the second year running, the Counter Fraud Team's joint submission with the Waltham Forest Anti-Fraud Team was awarded first place in this category at the awards ceremony that took place on 29 November 2022.

Appendix A: 2022/23 Audit Plan Status

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
CR01 Financial Resilience								
Payments to Residential Care Providers	PwC	Draft report issued	-	-	-	-	-	-
ContrOcc - Lessons Learnt	In House	Fieldwork in progress	-	-	-	-	-	-
Land/Property Disposals	PwC	Planning	-	-	-	-	-	-
Economic Strategy	PwC	Planning	-	-	-	-	-	-
Transformation – Income and Debt Programme	In House	Draft report issued	-	-	-	-	-	-
CR02 Income Maximisation								
Contain Outbreak Management Fund Grant (COMF) and Local Authority Test and Trace Grant Certification	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Local Authority Test and Trace Support Grant	In House	Cancelled						
Protect and Vaccinate Grant	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Supporting Families - May	In House	Cancelled						
Supporting Families - June	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Supporting Families - July	In House	Complete	-	-	-	-	-	-
Supporting Families - Aug	In House	Cancelled						
Supporting Families - Sept	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Supporting Families - Oct	In House	Complete	N/A – Grant	-	-	-	-	-

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
			Certification					
Supporting Families - Nov	In House	Cancelled						
Supporting Families - Dec	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Supporting Families - Jan	In House	Cancelled						
Supporting Families - Feb	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Public Health Grant	In House	Complete						
Bus Service Operators Grant	In House	Cancelled						
Highlands School Grant Certification	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Universal Drug Treatment Grant	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Adult Weight Management Grant	In House	Cancelled						
Parking Contract	In House	Complete	Limited	-	1	3	-	-
Culture Recovery Fund III	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Education Funding	In House	In House	Cancelled					
Test and Trace Support Payments Scheme	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Orchardside School Grant Certification - Alternative Provision Specialist Taskforces Programme	In House	Complete	N/A – Grant Certification	-	-	-	-	-
CR03 Fraud & Corruption								
Members' Ethics	PwC	Planning	-	-	-	-	-	-

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Staff Ethical Standards	In House	Fieldwork in progress	-	-	-	-	-	-
Meridian Water Community Chest Grants	In House	Fieldwork in progress	-	-	-	-	-	-
Planning	In House	Planning	-	-	-	-	-	-
Blue Badges	In House	Planning	-	-	-	-	-	-
CR04 Data Management								
Local Youth Justice Re-Offending Rates	In House	Planning	-	-	-	-	-	-
Smarter Working - Clear Desk Policy	In House	Cancelled						
Data Governance	PwC	Cancelled						
CR05 Duty of Care								
Passenger Services Operations - Adults	In House	Complete	Reasonable	-	-	2	5	-
Enfield Early Help for All Strategy	In House	Cancelled						
Post 16 Services	In House	Cancelled						
Multi Agency Safeguarding Hub (MASH)	In House	Draft report issued	-	-	-	-	-	-
SEN Commissioning	In House	Fieldwork in progress	-	-	-	-	-	-
Web Content Accessibility Guidelines 2.1 (WCAG 2.1)	PwC	Fieldwork in progress	-	-	-	-	-	-
CR06 Customer Demand								
Complaints and Information	PwC	Planning	-	-	-	-	-	-
CR07 Digital Technology								
Schools Cyber Security	In House	Fieldwork in progress	-	-	-	-	-	-
IT Statutory Compliance	In House	Planning	-	-	-	-	-	-
CR08 Major Incident								
Business Continuity Planning	PwC	Planning	-	-	-	-	-	-

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Use of Spreadsheets	PwC	Cancelled						
Board Reporting	In House	Fieldwork in progress	-	-	-	-	-	-
CR09 Health & Safety								
Corporate Health and Safety Board	In House	Complete	Limited	-	1	4	2	-
Corporate Security Board	PwC	Complete	N/A – Advisory	-	-	-	-	-
CR10 Housing								
Housing Repairs and Maintenance	PwC	Fieldwork in progress	-	-	-	-	-	-
Housing Development Programme Management - Bury Street West	In House	Planning	-	-	-	-	-	-
CR11 Regeneration & Growth								
Governance and Management of a Key Capital Project 1 - Cemetery Project	In House	Cancelled						
Governance and Management of a Key Capital Project 2 - Building Bloqs	In House	Fieldwork in progress	-	-	-	-	-	-
Meridian One Supplier Management	PwC	Draft report issued	-	-	-	-	-	-
Meridian Water: Financial Management of Capital Expenditure	PwC	Complete	Substantial	-	-	-	-	-
CR12 Supply Chain & Contract Management								
PFI Contract Monitoring	PwC	Deferred						
Highways Inspections	In House	Deferred						
DS Procurement	In House	Fieldwork in progress	-	-	-	-	-	-
CR13 Commercial Ventures								
Housing Gateway Limited (HGL) - Disabled Facilities Grant Process	In House	Planning	-	-	-	-	-	-
Housing Gateway Limited (HGL) - Suitability	PwC	Draft report issued	-	-	-	-	-	-

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Assessment Process for HGL properties								
Energetik	PwC	Fieldwork in progress	-	-	-	-	-	-
CR14 Staffing								
Whistleblowing, Grievances and Disciplinary Procedures	In House	Fieldwork in progress	-	-	-	-	-	-
Culture	PwC	Cancelled						
CR15 Tax								
No audits currently planned against this risk								
CR16 Community Cohesion								
No audits currently planned against this risk								
CR17 Climate Change								
Green Homes Grant	In House	Complete	N/A – Grant Certification	-	-	-	-	-
Waste Services Contract	In House	Complete	Limited	-	2	2	1	-
CR18 Equality, Diversity and Inclusion								
No audits currently planned against this risk								
CR19 Legislation, regulations and standards								
Organisational Governance	PwC	Cancelled						
Supporting Members	In House	Cancelled						
Building Safety	In House	Deferred						
CR20 Financial Management								
Accounts Receivable	PwC	Complete	Substantial	-	-	-	-	-
General Ledger	PwC	Fieldwork in progress	-	-	-	-	-	-
Business Rates Process	In House	Planning	-	-	-	-	-	-

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory Risks
Payroll - Calculations	PwC	Planning	-	-	-	-	-	-
Financial External Audit Process	PwC	Draft report issued	-	-	-	-	-	-
Other								
Mayor of the London Borough of Enfield Appeal Fund Accounts 2021/22	In House	Draft report issued	-	-	-	-	-	-
Chace Community School	In House	Complete	Reasonable	-	-	4	7	1
The Latymer School	In House	Fieldwork in progress	-	-	-	-	-	-
Freezywater St George's CE Primary School	In House	Cancelled						
St Andrew's (Enfield) CE Primary School	In House	Fieldwork in progress	-	-	-	-	-	-
St Ignatius College	In House	Planning	-	-	-	-	-	-
West Lea School	In House	Fieldwork in progress	-	-	-	-	-	-
Highfield Primary School	In House	Fieldwork in progress	-	-	-	-	-	-
Carterhatch Infants School	In House	Complete	Reasonable	-	-	3	7	1

APPENDIX B: Overdue High Risk Actions

Audit Name	Finding Title	Agreed Action	Original Due Date	Update	Revised Target Date
Chief Executive's Department					
Recruitment	Monitoring & Reporting-Management Information	<p>We will:</p> <ul style="list-style-type: none"> a) Review our recruitment processes and identify and actively manage key performance indicators. b) Engage with the Knowledge and Insight Hub to identify effective methods of reporting recruitment performance. c) Ensure reporting requirements for the Service and its stakeholders are included in the specification for a replacement application. 	31-Jul-2021	<p>Update September 2022</p> <p>a & b) Recruitment activities and reports are integrated in the workforce quarterly reports and the annual workforce reports provided by Knowledge and Insight Hub. HR will continue to work with Knowledge and Insight Hub to improve on this reporting based on the limited functionality of existing systems. In the meantime, reporting will be based on what can be extracted manually and reliably reported.</p> <p>c) Implemented.</p>	31-Oct-2022
Place Department					
Oversight of Montagu LLP	Governance and reporting arrangements are not clear and robust	<p>Agreed Action 1.1</p> <p>We will prepare a procedure document which will outline the governance arrangements in place (including the roles and responsibilities of the different Boards) for Montagu to ensure there is clarity regarding how the Joint Venture Board, the Property Board, Operational Board, Assurance Board and Executive Management Team (EMT) interact</p>	31-Aug-2022	<p>Update October 2022</p> <p>The Terms of Reference (ToR's) for various boards have been collated and compared/analysed to ensure that appropriate reporting and escalation routes are all in place. The manner in which Boards interact will be monitored on an ongoing basis to ensure they remain fit for</p>	31-Dec-2022

Audit Name	Finding Title	Agreed Action	Original Due Date	Update	Revised Target Date
		with respect to Montagu in terms of: - Finance and performance monitoring; - Decision making powers; and - Escalation routes		purpose.	
Resources Department					
DWP Memorandum of Understanding	Baseline Personnel Security Standard (BPSS) Checks	a) We will identify all relevant data users and system administrators working with the Council under the status of Contracted Service Provider and ensure that BPSS checks are undertaken. b) The outcome of these checks will be retained and copied to the Digital Services systems administrators. c) We will review the Civica contract to determine what assurances are required for Civica staff that access DWP/HMRC data on our behalf and will ensure these assurances are in place.	31-Mar-2022	Update October 2022 a) Implemented b) Implemented c) Progressed. The review with Civica on Demand is in progress.	31-Dec-2022
DWP Memorandum of Understanding	Governance Process	The governance procedures will be reviewed annually in line with the MoU to ensure they remain relevant and up to date.	31-Mar-2022	Update October 2022 The procedures were compiled in March 2022 and will be reviewed in March 2023.	31-Mar-2023

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London Borough of Enfield**General Purposes Committee****19 January 2023**

Subject:	Counter Fraud Policies
Cabinet Member:	Cllr Tim Leaver, Cabinet Member for Finance & Procurement
Executive Director:	Terry Osborne, Director of Law and Governance
Key Decision:	No

Purpose of Report

1. To present the following policy documents for approval by the Committee:
 - Counter Fraud Sanction & Prosecution Policy
 - Whistleblowing Policy & Procedures (incorporating the Model Whistleblowing Policy & Procedures for employees and workers in maintained schools, PRUs, academies and others)
 - Anti-Money Laundering Policy & Guidance.

Proposal

2. The General Purposes Committee is recommended to:
 - 2.1. Agree the Counter Fraud Sanction & Prosecution Policy
 - 2.2. Agree the Whistleblowing Policy & Procedures
 - 2.3. Agree Anti-Money Laundering Policy & Guidance

Reason for Proposal

3. The Sanction & Prosecution Policy, Whistleblowing Policy & Procedures, and Anti-Money Laundering Policy & Guidance all support the Council's zero tolerance to fraud. The individual policies provide information on how to prevent and identify fraud, reporting requirements where fraud is identified and the steps the Council will take to pursue sanction and prosecutions.
4. These policies were previously presented to the General Purposes Committee on 13 January 2022^{foo}. No significant amendments have

been made to the policies. The Head of Internal Audit and Risk Management will keep the documents under review and will from time to time make any minor amendments and updates that may be required.

Sanction & Prosecution Policy

5. The Counter Fraud Sanction & Prosecution Policy (**Appendix A**) sets out the case disposal options that are available to us in instances where fraud, theft, bribery or corruption have been identified across a wide range of cases including employee misconduct, Council Tax fraud and housing fraud.
6. These outcomes range from straightforward recovery of the Council's losses to the imposition of fines, disciplinary action against employees under the Code of Conduct, or criminal prosecution in the most serious of cases.
7. The policy sets out the criteria we will use to determine when prosecutions will be undertaken, including the process for approving those actions.
8. The policy serves to highlight the Council's zero-tolerance to fraud and to provide assurance that sanctions will be applied consistently.
9. The Policy will be publicised via the usual channels to act as a deterrent.

Whistleblowing Policy & Procedures (incorporating the Model Whistleblowing Policy & Procedures for schools)

10. The Council is committed to developing the highest possible behavioural standards and a culture encouraging openness, probity and accountability of all employees, councillors and council contractors. The Whistleblowing Policy & Procedures (shown at **Appendix B**) is a framework to enable and encourage reporting of any concerns regarding any aspect of the Council's work.
11. This policy applies to all workers including employees, councillors and contractors working for the Council on Council premises, including agency workers and consultants. It also covers suppliers and those organisations providing services under a contract with the Council on their own premises, for example, care homes.
12. Schools are required to have their own whistleblowing policy in place. To this end, the Schools' Personnel Service has distributed a model policy to Enfield schools; however, it is for individual schools to determine whether to adopt the model or devise their own policy.
13. The document incorporates guidance to enable staff, members and contractors to comply with the Policy and supports the Council's zero tolerance to fraud.

14. Key features of the policy include the following:

- Concerns identified by employees or agency workers should be raised initially with their line managers, or the line manager of a person who gives cause for concern.
- If not appropriate to contact a line manager, concerns can be reported to one of the Council's nominated contacts or a relevant external organisation. Contact details are provided in the Policy.
- Whistleblowers have the right to raise concerns anonymously or in confidence. The Audit and Risk Management Service has procedures that allow for the raising of concerns without the source being identified.
- Officers receiving a report under the Whistleblowing Policy should notify the Audit and Risk Management Service as soon as possible so that the Council can meet requirements to keep a central record of whistleblowing concerns raised.
- Once a concern has been raised, the Council will act to assess and appropriately investigate the matter. This may involve internal investigation or referral to a relevant external organisation, such as the Police.
- Where possible, the Council will acknowledge the whistleblowing report and endeavour to notify the whistleblower of the outcome of subsequent action. However, this may not be possible if a duty of confidence owed to others could be infringed or there could be an impact or breach of data protection legislation.
- The policy sits alongside the Council's arrangements for reporting safeguarding issues involving children and vulnerable adults (see Section 7 of the Policy).

15. The model policy for schools mirrors the corporate policy, explaining how and with whom matters can be raised. The schools' policy additionally advises that officers receiving a report under the policy must notify the Head of Audit and Risk Management who maintains a central register of whistleblowing matters raised.

16. The main whistleblowing policy was last approved by the Committee in January 2022. No significant changes have been made to either the main policy or the model schools policy.

17. Awareness of this revised policy and supporting guidance will be raised through appropriate publicity and training.

18. During 2021/22, we received a total of 4 whistleblowing referrals.

19. During 2022/23, the Counter Fraud Team have promoted the Whistleblowing Policy at the sessions we ran for staff as part of International Fraud Awareness Week in November 2022, and also via the Counter Fraud Newsletter and Staff Matters.

Anti-Money Laundering Policy & Guidance

20. Money laundering involves the “cleaning” of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash, but also other illegally gained assets, are introduced into the organisation’s systems where they are processed, enabling them to leave the systems appearing to come from a legitimate source.
21. The aim of this policy, shown at **Appendix C**, is to reduce the risk of the Council, its subsidiary companies, employees, members and contractors being exposed to money laundering, and to enable compliance with legal and regulatory requirements. Although local authorities are generally not directly covered by the requirements of the Money Laundering Regulations, guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) indicates that they should comply with the underlying spirit of the legislation and regulations. In addition, any of the Council’s trading companies which undertake regulated services are obliged to comply with the regulations.
22. Guidance is presented in addition to the main policy to provide advice to enable employees, members and contractors to comply with the requirements of the policy. In particular, directions to facilitate reporting of money laundering suspicions are set out, and due diligence procedures are outlined for services that are most likely to be exposed to money laundering attempts.
23. The Anti-Money Laundering Policy was last presented to Committee on 13 January 2022; there has been no significant changes to the policy.

Relevance to the Council’s Plan

Good Homes in Well-Connected Neighbourhoods

24. An effective Counter Fraud Service, supported by robust policies and procedures, helps minimise losses due to fraud that might adversely affect the delivery of good homes in well- connected neighbourhoods.

Safe, Healthy and Confident Communities

25. An effective Counter Fraud Service, supported by sound policies and procedures, helps minimise losses due to fraud that might adversely affect the Council achieve its objectives to sustain safe, healthy and confident communities.

An Economy that Works for Everyone

26. An effective Counter Fraud Service will minimise losses due to fraud and help the Council achieve its objectives in building a local economy that works for everyone.

Background

Sanction and Prosecution Policy

27. It is good practice for an organisation to formally define its Sanction and Prosecution Policy to ensure consistent practice and to enable a robust response to any challenge regarding the decision making process. This Policy was first established in March 2021 and was also a recommendation of a previous review of our Counter Fraud arrangements by PwC.

Whistleblowing Policy & Guidance

28. The Public Interest Disclosure Act 1998 establishes a person's right to raise concerns and provides individuals with protection from victimisation, dismissal or any other detriment provided they have a reasonable belief that what they have reported is true and the report is in good faith.

29. The Council will not tolerate any harassment or victimisation (including informal pressures) from colleagues, peers, managers, or from external sources, and will take appropriate action to protect individuals when they raise a concern in good faith.

Anti-Money Laundering Policy & Guidance

30. Although local authorities are not directly covered by the requirements of the Money Laundering Regulations, guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) indicates that they should comply with the underlying spirit of the legislation and regulations. In addition, any of the Council's trading companies which undertake regulated services are obliged to comply with the regulations.

Main Considerations for the Council

31. Any large complex organisation needs to have a well-established and effective Counter Fraud function in place to minimise losses due to fraud; these policies help underpin that function.

Safeguarding Implications

32. Although the Whistleblowing Policy and Procedures do not specifically deal with child safeguarding or safeguarding of adults with additional needs, the policy references how these concerns may be raised.

Public Health Implications

33. There are no Public Health implications arising from this report.

Equalities Impact of the Proposal

34. An Equality Impact Assessment has been updated and can be found at **Appendix D**.
35. Although the Whistleblowing Policy and Procedures do not specifically deal with child safeguarding or safeguarding of adults with additional needs, the policy references how these concerns may be raised which is expected to impact positively on children and adults who have additional support and care needs.
36. The Audit and Risk Management Service does not routinely collect data on persons who will be directly affected by these policies. In general terms, it is not always practical to gather this information as it would need to be collected from persons who have committed fraud against the Council.
37. We have arranged for the "Better Off Enfield" website to be updated to clearly signpost as part of the online application process that persons who commit fraud can expect to face sanctions, including criminal prosecution in accordance with the Sanction and Prosecution Policy. The online application that persons complete in order to be included on the Housing Register has also been similarly updated.

Environmental and Climate Change Considerations

38. There are no discernible environmental and climate change considerations arising from the proposals in this report.

Risks that may arise if the proposed decision and related work is not taken

39. If the Counter Fraud policies in this policy are not approved there is a risk that the Council may suffer financial and reputational loss from fraudulent activities.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

40. Even if the policies are approved, a risk of financial and reputational loss from fraudulent activities will still exist. However, the adoption and communication of these policies will mitigate that risk.

Financial Implications

41. The adoption of these policies will aid in mitigating financial risk to the council, however there are no specific financial implications related to this report.

Legal Implications

42. This Report sets out and refers to various legislative provisions to investigate and sanction a person who commits fraud against the Council. The proposed policy includes sanctions that are under criminal law, civil law, employment law and alternative recovery, for example under the Local Government Pension Regulations 2013 (as further amended). Regulations 91 and 93 of the Local Government Pension Regulations 2013 cover instances where forfeiture of an employee's pension may be considered where they have either been convicted of an offence committed in connection with their employment. (Regulation 91) or where an employer who has incurred a direct financial loss as a result of an employee's actions can seek to recover that loss from the employee's pension rights.

43. There are Statutory restrictions where the following are not permitted:

- unlawful to prevent protected disclosures (Employment Rights Act 1996, s43J)
- any discrimination 'gagging' clauses are unenforceable (Equality Act 2010, s142)
- reporting of crimes

Workforce Implications

44. Existing HR policies, including the Staff Code of Conduct, incorporate the principles of these policies.

45. These policies should be widely communicated to all staff and workers to ensure they are aware of the content and expectations.

46. There should be on-going processes in place to ensure new employees and workers engaged by the Council are aware of these policies.

Property Implications

47. Whilst it is recognised that the policies in this report do relate to property matters, the contents of the report do not have any new property implications.

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Date of report: 9 January 2023

Appendices

Appendix A: Sanction & Prosecution Policy

Appendix B: Whistleblowing Policy & Procedures (incorporating the Model Whistleblowing Policy & Procedures for schools)

Appendix C: Anti-Money Laundering Policy & Guidance

Appendix D: Equality Impact Assessment

Background Papers

None

Appendix A



COUNTER FRAUD
SANCTION & PROSECUTION
POLICY
January 2023



1. Introduction

- 1.1 The Executive Director of Resources has a statutory responsibility under section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Council's financial affairs. These include the prevention, detection and investigation of fraud and, where appropriate, the prosecution of offenders. The Council is focused on strong prevention and deterrence of fraud through its anti-fraud activities
- 1.2 The Council also has a duty under section 17 of the Crime and Disorder Act 1998 to do all it can to prevent crime and disorder.
- 1.3 This policy for prosecution, other sanctions and recovery complements the Council's Counter Fraud Strategy & Operating Plan; together these documents provide the guidelines and rules to be applied wherever the Council has investigated a criminal offence relating to fraud and corruption.
- 1.4 This policy has been developed with the aim of providing a framework to ensure a fair and consistent approach to the use of formal sanctions. Whenever fraud is proven, the Council will consider the merits of each case in determining whether to pursue formal action against the perpetrator.
- 1.5 This policy applies to all Council workers, including:
 - members and employees of the Council;
 - agency workers and consultants engaged by the Council;
 - the Council's agents, partners, suppliers and contractors supplying goods or services to the Council or performing work and/or delivering services on behalf of the Council;
 - maintained schools' employees, agency workers, partners, suppliers and contractors supplying goods or services to the school or performing work and/or delivering services on behalf of the school.
- 1.6 This policy has been written with due regard to the Crown Prosecution Service Code of Practice, it's Guidelines on Streamlined Process; the Bribery Act 2010 Joint Prosecution Guidance of the Director of the Serious Fraud Office and the Director of Public Prosecutions; and the Ministry of Justice Guidance on the Bribery Act 2010.
- 1.7 Approval of this policy is delegated to the Director of Law & Governance. This policy will be referred annually to the General Purposes Committee for its consideration and comment.

2 Legislative Framework

2.1 A person involved in committing fraud against the Council may commit offences contrary to a number of acts of parliament and statutory regulations. Primarily, these include:

- Theft Acts 1968 and 1978
- Criminal Attempts Act 1981
- Forgery and Counterfeiting Act 1981
- Criminal Justice Act 1987
- Fraud Act 2006
- Proceeds of Crime Act 2002
- Housing Act 1984
- Prevention of Social Housing Fraud Act (2013)
- Disabled Persons Parking Badges Act 2013
- The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017).

The Crown Prosecution Service (CPS) and/or the Council may prosecute offences covered by this legislation.

2.2 In addition, Council employees, the Council's agents or any person with whom the Council does business may commit a corrupt act. These offences would be contrary to the Prevention of Corruption Acts 1906 and 1916, or the Bribery Act 2010. Only the Crown Prosecution Service can prosecute these offences.

2.3 There are also fraud offences that are contrary to the Representation of the People Acts that cannot be prosecuted by the Council and have to be referred to the Police for investigation and subsequent prosecution by the Crown Prosecution Service.

2.4 In addition, offences may be committed against the Council as a social landlord that are covered by the Housing Acts. All offences covered by the Housing Acts are civil offences. However, the Prevention of Social Housing Fraud Act 2013, makes subletting the whole of a social rented dwelling a criminal offence for which proceedings can be brought by the landlord (Council).

3 Legislation

3.1 All investigations will be undertaken in accordance with current legislation, including:

- The Police and Criminal Evidence Act (1984)
- The Human Rights Act (1998)
- The Criminal Procedures and Investigations Act (1996)
- The Criminal Procedures and Investigations Act (1996) (Code of Practice) Order 2015
- The Data Protection Act (2018)
- The Regulation of Investigatory Powers Act 2000
- The Public Interest Disclosure Act (1998)
- Equality Act 2010
- Protection of Freedoms Act 2012
- Care Act 2014

3.2 The investigating officers will also act in accordance with the Council's policies and procedures, in particular the employee code of conduct, whistleblowing policy, financial regulations and contract procedure rules.

4 Relevant Factors to Take into Consideration

4.1 The Council will consider each case on its individual merits. This policy sets out what principles will be applied, rather than attempting to define an absolute course of action.

Relevant matters for consideration include the following:

- a) The full code test (see section 5);
- b) The value of offences through actual loss to the Council or possible gain to an individual;
- c) The factors surrounding the alleged offence, including the duration and seriousness of the alleged offence;
- d) Factors relating to the alleged offender, including their age and state of health;
- e) No potential abuse of process has occurred;
- f) The sensitivity of the case has been considered.

5 The Full Code Test

5.1 All cases must meet the full code test before an investigations officer can recommend a prosecution. The full code test has two stages, being the evidential test followed by the public interest test (see sections 6 and 7).

6 Evidential Test

- 6.1 Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. They must consider what the defence case may be, and how it is likely to affect the prospects of conviction. A case which does not pass the evidential stage must not proceed, no matter how serious or sensitive it may be. The evidence must be acquired in a form which can be used by the court and be admissible; and there must be enough evidence to form a realistic prospect of conviction.
- 6.2 In order to ensure that a “realistic prospect of conviction” exists, Counter Fraud Team officers and prosecutors will at all times ensure that investigations are conducted in accordance with all relevant legislation and Codes of Practice with regard to evidence gathering, interviewing and rules of disclosure

7 Public Interest Test

- 7.1 A prosecution will not usually take place unless the prosecutor is sure that it is in the public interest to do so, and that any appropriate out-of-court disposals have been considered. However, where the offence committed is of a more serious nature, or the offender has a record of previous criminal behaviour, then it is deemed more likely that a prosecution will be pursued.
- 7.2 Aggravating and mitigating factors, such as the offender’s mental health and personal circumstances, will be taken into consideration when deciding on the appropriate sanction as set out in the Code for Crown Prosecutors.

8 Recommendations and Approval for Prosecutions or Alternative Sanctions.

- 8.1 Fraud referrals and investigations that do not progress to sanctions or prosecution will only be closed with the approval of either the Counter Fraud Manager or Senior Investigator.
- 8.2 In cases involving sanctions, the investigating officer will complete a detailed Sanction Referral Report (a template is included at **Annex A**). Sanction approval is a two-step process; usually, a senior investigator will assess the report and make a sanction recommendation for the Counter Fraud Manager to consider and authorise, if appropriate. Ordinarily the Head of Internal Audit and Risk Management can authorise cases to be referred for prosecution; however, if the case

involves a Council employee then it will require authorisation by the Director of Law and Governance.

9 Potential Charges

- 9.1 When considering which potential charges may apply, investigators must consider whether such charges:
- Reflect the seriousness and extent of the crime as supported by the evidence;
 - Enable the case to be presented clearly and simply;
 - Allow the court adequate powers for sentencing or conviction orders.
- 9.2 Where there are a number of offences or there are possible alternative charges, the prosecutions officer may conclude that it is not the most serious charges which a suspect is eventually charged with.
- 9.3 In addition, charges against a suspect may be later changed to reflect changes in the suspect's circumstances.
- 9.4 In the main, cases progressed using in-house resources will relate to offences contained within the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, Disabled Persons Parking Badges Act 2013 (Section 7), the Forgery and Counterfeiting Act 1981, the Fraud Act 2006 or the Theft Act 1968 depending on when all elements of the offence occurred. However, there may also be charges for associated offences or multiple types of fraud which have been committed.
- 9.5 Charges under the Fraud Act 2006 could include:
- Fraud by false representation (section 2 of the Act);
 - Fraud by failing to disclose information (section 3 of the Act);
 - Fraud by abuse of position (section 4 of the Act).
- 9.6 The Theft Act 1968 was substantially repealed by the Fraud Act 2006 although there are some charges which still remain on the statute books. These charges include:
- Obtaining property by deception (section 1 of the Act);
 - Fraudulent obtaining of money by transfer (section 15A of the Act);

- Obtaining a pecuniary advantage (section 16 of the Act);
- False accounting (section 17 of the Act);
- Dishonestly retaining wrongful credits to accounts (section 24A of the Act).

9.7 Charges under the Prevention of Social Housing Fraud Act 2013 include:

- Knowingly subletting or parting with possession of a property let under a secure tenancy (section 1(1));
- Dishonestly subletting or parting with possession of a property let under a secure tenancy (section 1(2)).

9.8 The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 were implemented following the abolition of council tax benefit. Charges under this legislation can include:

- False representation for obtaining a reduction (regulation 7)
- Failing to notify a change of circumstances (regulation 8)

9.9 A Joint Working Initiative with the Department for Work and Pensions (DWP) for cases which involve allegations of State Benefit and Housing Benefit offences and Council Tax Reduction Scheme offences came into effect from 28 January 2019. Consideration for prosecution or sanction on these joint working cases will be in-line with the DWP National Guidance applicable at the time and referred to the CPS where appropriate.

9.10 The Disabled Persons Parking Badges Act 2013, which came into force on 8 October 2013 assists local authorities in addressing blue badge abuse. The Disabled Persons (Badges for Motor Vehicles) (England) (Amendment) Regulations 2013 allow for enforcement officers to inspect and retain blue badges without a police presence. Offences under other primary legislation include:

- Misusing a real badge or use of fake/altered badge while the vehicle is being driven (section 21(4B) of the Chronically Sick and Disabled Persons Act 1970)
- Misusing a real badge or use of fake/altered badge while the vehicle is parked (offences under sections 115 or 117 of the Road Traffic Regulation Act 1984)

- Dishonesty or deception committed in relation to the badge (Fraud Act 2006, Theft Act 1968, Forgery and Counterfeiting Act 1981)
- Failing to produce a badge when required to do so without reasonable excuse (section 21 (4BD) of the Chronically Sick and Disabled Persons Act 1970).

9.11 Prosecutions of private sector landlords, or managing agents, will render them 'a not fit and proper person' under the licensing terms of the Council's Private Sector Housing Enforcement Policy.

9.12 Social housing fraud falls into the following categories:

- a) Illegal subletting of a social housing property for financial gain - for these cases the Council will take civil proceedings to recover the property from the registered tenant, and to evict the illegal occupier of the property. The Council may also seek restitution in the form of an Unjust Enrichment order to recover the proceeds acquired by the registered tenant from the illegal subletting of the property. In addition, where there is sufficient evidence to support a case under the Prevention of Social Housing Fraud Act 2013, the Council may seek to prosecute the registered tenant.
- b) Obtaining social housing with no recourse to public funds –the Council will take civil proceedings to recover the property from the tenant.
- c) False applications for social housing –the Council will remove the person from the housing register and will consider prosecution.
- d) Falsely claiming succession or assignment rights to a social housing property - the Council will take civil proceedings to recover the property from the tenant and will consider prosecution.
- e) Fraudulent right to buy application for a social housing property - for these cases the Council may seek to prosecute the person that has applied for or purchased the social housing property through the Right to Buy Scheme. The Council may also take legal action to seek restitution such as a confiscation granted by the Courts under the Proceeds of Crime Act

10 Alternative or Parallel Sanctions

10.1 There are alternatives to prosecution which may be deemed more appropriate than prosecution or may be undertaken in parallel to a criminal investigation. These could be for example a simple caution,

disciplinary or management investigation and/or reporting to a professional body. There will be others associated to specific types of employment or legislation.

- 10.2 It should be noted that for some cases disciplinary action is undertaken before recommendation for prosecution has been made and formally considered. The same may also be true for reporting to professional bodies. In cases where such action has already taken place, and is then recommended for prosecution or alternative sanction, the investigations officer needs to include the full details and outcome of any such action.
- 10.3 The criminal investigation may be given precedence over the disciplinary investigation if there is a risk of serious prejudice to the former from running the two processes concurrently. However, there may be a compelling public interest in suspending or removing an individual from his/her post before the conclusion of the criminal case; in this situation, a case conference should be held to discuss the circumstances and relevant disclosure issues.
- 10.4 The criminal process may determine the actions and timing of related disciplinary investigations, particularly where there is a risk of prejudice to the criminal case. However, there may be other circumstances where sanctions are pursued concurrently, so that the public interest is protected, and disciplinary proceedings are heard in a just and timely way.
- 10.5 Cases in which the management or disciplinary process is followed adhere to the Code of Conduct for Employees and Members, ACAS Code of Practice on Disciplinary and Grievance Procedures and relevant employment law.
- 10.6 If an employee chooses to resign following the commencement of an investigation concerning their conduct, every effort will be made to conclude the proceedings during the employee's period of notice, particularly if the matters under consideration would warrant dismissal on the grounds of gross misconduct.
- 10.7 There may be evidence obtained via a criminal investigation which may not be shared with a parallel civil or disciplinary case. For example, the transcript of an interview under caution would not be made available for either a civil case, such as a housing matter, or a disciplinary investigation as the information was obtained specifically for use in a criminal case.
- 10.8 There are alternative sanctions within the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 which are two levels of possible fines, as follows:

- The council can impose a penalty of £70 where the person has negligently made an incorrect statement or representation or failed to promptly notify of a change of circumstances.
- Where there is evidence that the liable party has had a reduction which is greater than the amount of the reduction to which they were entitled, the council may invite the liable party to agree to pay a penalty, which is set at 50 per cent of the amount of the excess reduction subject to a minimum amount of £100, and a maximum amount of £1,000.

There are 14 days within which the liable party can choose to withdraw their agreement.

Whilst the public interest factors including impact on the offender must be considered, the offender's ability to pay the penalty should not be a consideration as a factor on its own.

11 Recovery Action

- 11.1 Recovery of losses should be sought for all investigations and these could be via voluntary reparation by the suspects, through pension benefits for employees (either voluntarily or via a forfeiture certificate), civil recovery through the courts, or financial and asset recovery under the Proceeds of Crime Act 2002.
- 11.2 In proven cases of subletting, the Prevention of Social Housing Fraud Act 2013 makes allowance for the Council to apply for civil or criminal profit orders and where sufficient evidence exists, the referral instructions will include an application for a profit order to be made to the court.
- 11.3 The Council may seek confiscation hearings under the Proceeds of Crime Act 2002 or Criminal Justice Act 1988 with a view to requesting confiscation orders for criminal or particular benefit resulting from fraudulent activities.
- 11.4 In addition, the recovery of legal costs and investigations costs should be sought in all cases, where appropriate.
- 11.5 All recovery options must be notified to the prosecuting lawyer including the agreement/action, compliance and any recovered amounts throughout the prosecution.
- 11.6 Financial investigations under the Proceeds of Crime Act 2002 must have begun prior to prosecution and full details disclosed to the prosecutions officer as representation is made to the court at the point of any conviction for the recovery process to begin.
- 11.7 It should be noted that recovery, whether voluntary or otherwise, will not

prevent prosecution consideration.

12 Appealing Against Decisions and Complaints

- 12.1 Where there are rights of representation, or appeal mechanisms, against enforcement action these will be communicated in accordance with the relevant statutory obligations. In the absence of such obligations these will be communicated at the same time as the action is taken, or, if that is not possible as soon as is reasonably practicable afterwards.
- 12.2 If anyone is dissatisfied with the conduct of Council officers or believes there has been a failure to follow this policy, related codes, or to meet service standards, they may complain using the Council's complaints procedure.
- 12.3 Details of the Council's complaints procedure can be found on the Council's website.

13 Publicising Prosecution Actions

- 13.1 Prosecution actions will be considered for publication in all instances, in consultation with the Council's Communications Team. The Council's Legal Team will be made aware of such publicity by the Counter Fraud Manager where particular persons or businesses are identified.

**Sanction & Prosecution Policy
Annex A - Sanction Referral Form**

Sanction Referral Form

Surname		Forename(s)					
Aliases		Reference					
Address							
D.O.B.		NI No.					
No. of Dependants		Occupation					
IUC Date		Interpreter Required	<table border="1" style="width: 100%;"> <tr> <td style="width: 25%;">Yes</td> <td style="width: 25%;"></td> <td style="width: 25%;">No</td> <td style="width: 25%;"></td> </tr> </table>	Yes		No	
Yes		No					
Language used by interpreter							
Defence Solicitor							
Firm and address							

Alleged Offence(s)

Case Summary

Period of Fraudulent Excess Reduction			
	From	To	Total
Benefit type			
		Total	

Previous Convictions / CRO Checks

Mitigating Circumstances and Observations

--

Investigating Officer

--

Signed

--

Dated

--

To be completed by Senior Officer:

--

Usability of Evidence	Yes	No
Is the evidence obtained useable in court?		
Has the evidence been gathered correctly?		
Is there sufficient evidence to support a prosecution?		
Evidential Test	Yes	No
Is there evidence to support the reliability of a confession?		
Will the court find the confession credible?		
Are witnesses of a good character?		
Is the evidence clear?		
Have there been any delays?		
Have there been any failures in the benefit administration?		
Public Interest Test	Yes	No
Will a conviction result in a significant sentence?		
Is the financial loss above the prosecution threshold?		
Were the offences committed over a substantial period of time?		
Has there been an abuse of position or trust?		
Has the claimant suffered from any mental health issues?		
Is the claimant elderly or vulnerable?		
Was there any voluntary disclosure prior to investigating?		
Did the claimant admit the offence and make an offer to repay?		
Has there been any repayment of the overpaid benefit?		
Are there any previous incidents of fraud?		
Were there others involved in committing the offence?		
Was the offence planned?		
Was the offence committed from the outset?		
Is it likely that the offence will be repeated?		
Is the offence widespread within the local community?		

First Level Approval notes

--

I have reviewed this case fully and having considered all factors relating to the alleged offence(s), and with due regard to the London Borough of Enfield's sanction policy, I recommend that in this particular case, authorisation be given to proceed by way of:

Caution / Financial Penalty / Prosecution

Signed: _____

Position: _____

Date: _____

Authorising Officer Notes

I agree with the recommendations made by the team leader on this case and authorise the suggested sanction.

Signed: _____

Position: _____

Date: _____



LONDON BOROUGH OF ENFIELD

WHISTLEBLOWING POLICY & PROCEDURES JANUARY 2023

1. INTRODUCTION

The Council is committed to developing the highest possible behavioural standards and a culture encouraging openness, probity and accountability of all employees, councillors and council contractors. The whistleblowing policy (the Policy) is a framework to enable and encourage you to raise and report any concerns regarding any aspect of the Council's work which may include:

- The unauthorised use of public funds
- A failure to comply with a legal obligation
- Any conduct which may damage the Council's reputation
- A danger to the health and safety of an individual
- Damage to the environment
- Possible fraud and corruption
- Possible acts of bribery
- Conduct which is an offence or a breach of law
- Disclosures related to miscarriages of justice; and/or
- Other unethical conduct.

The Council's whistleblowing policy applies to all employees *, members and contractors working for the Council on Council premises, for example, agency staff and consultants. It also covers suppliers and organisations providing services under a contract with the Council on their own premises, for example, care homes.

Please note that the Council's Whistleblowing Policy is not intended to cover safeguarding concerns relating to children or vulnerable adults, as there are separate arrangements for raising these (see Section 7).

* Schools are required to have their own policy in place; they may choose to adopt the model policy produced by the Schools' Personnel Service (see **Annex A** of this policy).

2. HOW TO RAISE A WHISTLEBLOWING CONCERN

As a first step, you should normally report any concerns to your line manager or the manager of a person giving cause for concern, preferably in writing. However, if you feel the matter is extremely serious, sensitive or involves your line manager, you may report the matter straight to your Director.

If you feel that it is not appropriate to report your concerns to these individuals, then you should contact one of the following:

Contact	Position	Email	Contact number
Gemma Young	Head of Internal Audit and Risk Management	gemma.young@enfield.gov.uk	020 8132 1756 or 07900 168938
Marion Cameron	Deputy Head of Internal Audit and Risk Management	marion.cameron@enfield.gov.uk	020 8132 1065
Bob Cundick	Counter Fraud Manager	bob.cundick@enfield.gov.uk	020 8132 1878
Mike Tobin	Senior Counter Fraud Officer	michael.tobin@enfield.gov.uk	020 8132 2480
Terry Osborne	Director of Law and Governance	terry.osborne@enfield.gov.uk	020 8132 0668
Fay Hammond	Executive Director of Resources	fay.hammond@enfield.gov.uk	020 8379 2662
Tinu Olowe	Director of Human Resources and Organisational Design	tinu.olowe@enfield.gov.uk	020 8123 154
Ian Davis	Chief Executive	ian.davis@enfield.gov.uk	020 8379 3901

When raising your concern, you may wish to take advice on the matter from any of those listed in the section above or discuss your concerns with a colleague first. It is advisable that you report your concern as early as possible. A significant delay in reporting the matter may make the subsequent investigation difficult to pursue.

In raising your concern in writing, you should give as much detail as possible, i.e. the background and history, names and relevant dates and the reasons why you are particularly concerned about the situation.

If you feel hesitant about putting your concern in writing at this stage you should telephone the manager to whom you wish to make the report and ideally, arrange to meet them. However, you may be asked to confirm the details in writing at a later stage.

Officers receiving a report under the whistleblowing policy should notify the Audit and Risk Management Service as soon as possible so that the Council can meet requirements to keep a central record of whistleblowing concerns raised.

Please advise whether you want to raise the matter in confidence to enable appropriate arrangements to be made. (Remember the Audit and Risk Management Service has a degree of independence that allows officers to raise concerns without being identified as the source).

If these channels have been followed and you still have concerns, or if you feel that the matter cannot be discussed with any of the above, you can contact any of the following independent organisations outside the Council for assistance with your concern:

- National Audit Office Tel: 020 7798 7999 (their [website](#) provides further information)
- Protect provide free, confidential whistleblowing advice and can be contacted via their [webform](#). More information is available on their [website](#).
- Citizens Advice Bureau
- Relevant professional bodies or regulatory organisation
- Relevant voluntary organisation
- The Police.

If you do take the matter outside the Council, you should ensure that you do not disclose confidential information.

3. HOW WE WILL HANDLE THE MATTER

Once you have raised your concern, the Council will undertake an initial assessment to determine what action needs to be taken. This may involve an internal inquiry or a more formal investigation. Do not forget that testing out your concerns is not the same as either accepting or rejecting the concern.

Where appropriate, the matters raised may:

- be investigated by management, officers from the Council's Audit and Risk Management Service, or through the disciplinary process;
- be referred to the Police or appropriate agency such as Her Majesty's Revenue and Customs (HMRC) or the United Kingdom Borders Agency (UKBA);

- be referred to the Council's external auditor; or
- form the subject of an independent inquiry.

When you raise your concern, you may be asked how you think the matter might best be resolved. You will also be required to disclose any personal interest in the matter at the outset. Any concerns that should be dealt with through the Grievance Policy will be redirected.

Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.

You will be advised of the officer handling the matter, how you can contact them and whether further assistance is required. Where possible, you will receive a letter summarising your concern and proposed actions that will be taken. Please note, however, that the Council may not be able to tell you the precise action taken where this would infringe a duty of confidence owed to someone else.

It should be noted that where a concern raised is linked to a potential redundancy, disciplinary and/or other managerial issue these processes will continue in parallel with the investigation of the alleged wrong-doing and will not prevent the Council from pursuing any subsequent action through to conclusion. This principle is not intended to prevent staff raising concerns.

Where staff have genuine concerns about potential wrong-doing they are expected to raise these concerns at the earliest opportunity and not raise these in response to other managerial actions being instigated. In all cases, when a concern is raised in writing, the responsible person will write to you:

- Acknowledging that the concern has been received;
- Indicating how the Council proposes to deal with the matter;
- Providing an estimated timeframe to conclude the investigations;
- Advising whether any initial enquires have been made
- Supplying you with information on staff support mechanisms, and
- Informing you whether further investigations will take place and if not, why not.

4. EXTERNAL CONTACTS

While we hope this Policy gives you the reassurance you need to raise concerns internally, we would rather you raise a matter with the appropriate regulator than not at all. Provided you are acting in good faith and you have evidence to back up your concern, you can also contact:

External Contact	Issue Type
Health and Safety Executive	Health and safety concerns
Environment Agency	Environmental issues
HM Revenues & Customs	Financial irregularities
BDO (Council's external auditor)	Public sector finance issues or financial irregularity
Information Commissioner's Office	Data protection issues

5. IF YOU ARE DISSATISFIED

While we cannot guarantee that we will respond to all matters in the way that you might wish, we will try to handle the matter fairly and in accordance with this Policy. If you are dissatisfied with our response it may be appropriate to seek external advice.

6. OUR ASSURANCES TO YOU

The Chief Executive and the Executive Management Team are committed to this Policy and recognise that the decision to report a concern can be a difficult one to make. If you raise a genuine concern under this Policy, you will be protected from possible reprisal or victimisation. Provided you are acting in good faith, it does not matter if you are mistaken, no action will be taken against you.

We do not extend this assurance to someone who maliciously raises a matter they know is untrue. If you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

By reporting or raising a concern you will be doing your duty to your employer and those for whom you are providing a service.

Statutory Protection

The Public Interest Disclosure Act 1998 establishes your right to raise concerns and provides individuals with protection from victimisation, dismissal or any other detriment, provided they have a reasonable belief that what they have reported is true and the report is in good faith.

Harassment or Victimisation

The Council will not tolerate any harassment or victimisation (including informal pressures) from you colleagues, peers, managers, or from external sources, and will take appropriate action to protect you when you raise a concern in good faith.

Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary, capability, or redundancy procedures that already affect you.

If you consider that you are being, have been or are likely to be victimised, dismissed, made redundant or made to suffer some other detriment as a result of making a report under this Policy, you should report your concerns to the Council's Monitoring Officer. The matter will then be dealt with as a new referral under this procedure.

Your confidentiality

We recognise that you may want to raise a concern in confidence under this Policy. If you ask us to protect your identity by keeping your confidence, we will not disclose it without your consent. If the situation arises where we are unable to resolve the concern without revealing your identity (for example where you are needed to come forward as a witness or to give evidence in court), we will discuss with you whether and how we can proceed.

Anonymous Allegations

Concerns expressed anonymously are not categorised as whistleblowing, as we cannot be certain of the source.

Although we are grateful for any information received, referrals made anonymously are much less powerful but will be considered at the discretion of the Council. In exercising this discretion, the factors to be considered will include:

- the seriousness of the issues raised;
- the credibility of the concern, and;
- the likelihood of confirming the allegation from attributable sources.

If you do not tell us who you are, it will be much more difficult for us to investigate the matter, and we will be unable to give you feedback.

7. SAFEGUARDING CONCERNS

Individuals wishing to report safeguarding concerns should continue to raise these via the established processes, namely;

For Children

Matters relating to child abuse should be reported to the Children in Need Service from 9am to 5pm: telephone 020 8379 2507 and the Enfield Out of Hours Team outside office hours: telephone 020 8379 1000.

More information is available here:

<https://cp.childrensportal.enfield.gov.uk/web/portal/pages/home>

For Adults with Care and Support Needs

Issues relating to the abuse or neglect of an adult at risk should be referred to the Enfield Multi-Agency Safeguarding Hub (MASH) Team.

Email them at: themashteam@enfield.gov.uk or call on 020 8379 3196 Monday to Friday from 9am to 5pm.

You can also call 24 hours a day, speaking anonymously if you wish, on the Enfield Adult Abuse Line: 020 8379 5212.

Where the concern relates to a Person in a Position of Trust (“PIPOT”), such as that person’s suitability to work with adults with care and support needs, as opposed to a specific safeguarding concern, then this can be raised by email via safeguardingadults@enfield.gov.uk.

More information is available [here](#).

8. OTHER MATTERS OUTSIDE THE SCOPE OF THE WHISTLEBLOWING POLICY

In addition to safeguarding concerns, the Policy does not normally cover the following areas:

- Matters that concern day to day issues relating to an employee’s terms and conditions of employment or a complaint about another employee which can usually be referred to their line manager, or if necessary be pursued using the Council’s Grievance Procedure.
- Matters that concern schools are covered by a separate Model Whistleblowing Policy and Procedures document (**Annex A**). If after reading this, you feel that your concern or issue is not covered, you can make a complaint online at <https://contact.ofsted.gov.uk/online-complaints>.
- Matters that would normally be dealt with by the Council’s collective bargaining arrangements with its recognised trade unions should be reported to (GMB) 020 8379 6138 / branch@gmbenfield20.org.uk or (UNISON) 020 8379 4082 / office@enfieldunison.co.uk.
- Allegations concerning fraud or financial irregularity should continue to be made directly to the Counter Fraud Team by calling our hotline number 020 8379 3166 or via email to fraud.team@enfield.gov.uk .

- Complaints from the public that relate to the standard of service delivered by the Council or Council Contractors which should be reported through the Council's Corporate Complaints procedure.

9. REVIEW OF THIS POLICY

This Policy and reports made under it should be reviewed annually by the Head of Audit & Risk Management who will submit a report to the General Purposes Committee.

Annex A



**Schools' Personnel:
get the chemistry right**

MODEL WHISTLEBLOWING POLICY AND PROCEDURES (The Reporting of Malpractice and Improper Conduct)

**FOR EMPLOYEES AND WORKERS IN MAINTAINED SCHOOLS,
PRUs, ACADEMIES AND OTHERS**

**4th Edition October 2020
(Replaces October 2017 Edition)**



INVESTOR IN PEOPLE



WHISTLEBLOWING POLICY AND PROCEDURES **(The Reporting of Malpractice and Improper Conduct)**

FOR EMPLOYEES AND WORKERS IN MAINTAINED SCHOOLS, PRUs,
ACADEMIES AND OTHERS

****CONTENTS****

Page

1. INTRODUCTION	3
2. WHO THE WHISTLEBLOWING POLICY APPLIES TO	3
3. MATTERS COVERED BY THE WHISTLEBLOWING POLICY	4
4. MATTERS NOT COVERED BY THE WHISTLEBLOWING POLICY	4
5. HOW TO RAISE A CONCERN	6
(a) PRIOR to raising a concern	6
(b) How to raise a concern about the Behaviour of another Employee/Worker in Relation to a Child Protection Matter	6
(c) How to raise a concern that is NOT about the Behaviour of another Employee/Worker in Relation to a Child Protection Matter	7
6. HOW THE MATTER WILL BE HANDLED	9
7. IF YOU ARE DISSATISFIED	10
8. ASSURANCES TO YOU	10
9. STATUTORY PROTECTION	11
10. VICTIMISATION, BULLYING OR HARASSMENT	11
11. YOUR CONFIDENTIALITY	11
12. ANONYMOUS ALLEGATIONS	12

13. TAKING THE MATTER FURTHER – EXTERNAL CONTACTS

12

WHISTLEBLOWING POLICY AND PROCEDURES

(The Reporting of Malpractice and Improper Conduct)

FOR EMPLOYEES AND WORKERS IN MAINTAINED SCHOOLS, PRUs, ACADEMIES AND OTHERS

IMPORTANT NOTE RELATING TO TERMINOLOGY USED IN THIS DOCUMENT

This policy and procedure document may be adopted by maintained schools, PRUs, Academies, Free schools and/or other independent schools. Therefore, where the words 'Headteacher', 'Governing Body', 'Governors' or 'school' are used in this document, this should also be interpreted (and can be adapted) to mean, or read, Principal, Chief Executive, Head of School, Proprietor, PRU Management Committee, Members, Directors, Board of Trustees, Local Governing Body, Governing Board, PRU, Academy or Academy Trust etc., as relevant to the type of school and structure in place. Words shown in *italics* throughout this document may, therefore, be replaced by the relevant terminology from the above, or otherwise adapted appropriately.

1. INTRODUCTION

The term 'whistleblowing' relates to situations whereby an employee/worker discloses illegal or unethical conduct within an organisation. Unlike wrongdoing where the consequences are strictly personal, whistleblowing is unique as it focuses on matters relevant to the public interest. In other words, a whistle blower makes a disclosure about wrongdoing in the public interest.

If the consequences of an employer's conduct have wider implications for the general public, then the individual exposing the wrongdoing is 'whistleblowing'. The law protects whistle blowers from any potential consequences to their employment, for example by providing protection from dismissal, from being overlooked for promotion, from victimisation, harassment or any other unfair treatment.

Current UK legislation in place for the protection of whistle blowers was brought in under the Public Interest Disclosure Act 1998 (PIDA) and expanded upon with the introduction of the Enterprise and Regulatory Reform Act (ERRA) 2013. These Acts provide the legal framework that governs the circumstances in which employees can legally blow the whistle, as well as setting out the requirements for legal protection following the event.

The Governors are committed to developing and maintaining the highest possible behavioural standards and a culture encouraging openness, probity and accountability of all employees, workers and contractors. This Whistleblowing Policy provides a framework to enable and encourage you to raise and report, or 'disclose', genuine concerns regarding any relevant aspect of the *school's* work. The Policy aims to reassure you that you will be protected from possible reprisals or detriment if you have a reasonable belief that any disclosure you make is true.

2. WHO THE WHISTLEBLOWING POLICY APPLIES TO

This Whistleblowing Policy applies to all employees, inc. apprentices, trainees and work experience placements, *governors* and volunteers. It also covers contractors working for the *school* on *school* premises, for example, agency workers and consultants, as well as suppliers and any organisations providing services under a contract with the *school* on their own premises.

Note that workers who are not employees cannot claim unfair dismissal due to blowing the whistle but, because of the protection afforded, they can claim 'detrimental treatment'.

The Policy does not cover other persons such as members of the public or parents. The *school* has a separate Complaints Procedure in place for use by those persons not connected with the *School* through their own employment, work, training or provision of services.

3. MATTERS COVERED BY THE WHISTLEBLOWING POLICY

The Policy is intended to cover the most serious concerns about malpractice that fall outside the scope of other procedures.

'Qualifying Disclosures', i.e. disclosures or the reporting of serious concerns that afford an employee/worker protection in law, are disclosures of information where the employee/worker reasonably believes that one or more of the following is either happening, has taken place, or is likely to happen in the future and that disclosure is in the public interest:

- The unauthorised use, or misuse, of public funds
- A failure to comply with a legal obligation
- Conduct which is an offence or breach of the law
- Possible fraud and corruption (e.g. financial fraud or mismanagement, public examination fraud)
- Possible acts of bribery
- Serious Health and Safety risks, including risks to pupils and the public, as well as other employees/workers
- Damage to the environment
- Safeguarding or Child Protection matters
- Any conduct which may damage the *School's* reputation
- Miscarriages of justice
- Other unethical conduct
- Deliberate concealment of information relating to any of the above.

This list is not necessarily exhaustive. (See also 4. below).

4. MATTERS NOT COVERED BY THE WHISTLEBLOWING POLICY

The wrongdoing, or malpractice, being disclosed **must be 'in the public interest'**. There is no specific definition of what is meant by 'in the public interest'. However, the matter cannot relate solely to the individual who is raising it. It must adversely

affect, or threaten, others. This could mean pupils, parents or the public in general, for example. It could also be interpreted as including other employees/workers depending on all the factors involved. This may be the case only if a significant number are affected and will depend also upon the nature of the interests affected, the nature of the wrongdoing disclosed, even the identity of the alleged wrongdoer may be relevant - the more prominent s/he is, the more likely it is that the disclosure will be in the public interest. All the circumstances of the case would need to be considered to decide if the matter is in the public interest generally.

However, **a Disclosure may not be made for purely private matters, such as a problem with the individual's own employment terms or contract.**

Other matters the Whistleblowing Policy does NOT normally cover

- **The general behaviour of another employee** (i.e. behaviour that does not fall within the types of malpractice listed in 3. above). Employees should refer a complaint about another employee's behaviour to his/her Line Manager or otherwise pursue the matter through the *school's* Grievance Procedure.
- **Concerns relating to another employee's/worker's performance or capability.** There are other, more appropriate, procedures in place for management to address such issues.
- **Matters relating to the abuse or neglect of an adult at risk.** Issues relating to the abuse or neglect of an adult at risk should be referred to the Enfield Multi-Agency Safeguarding Hub (MASH) Team. Email at: themashteam@enfield.gov.uk or call on 020 8379 3196 Mon to Fri. from 9am to 5pm. You can also call 24 hours a day, speaking anonymously if you wish, on the Enfield Adult Abuse Line: Telephone 020 8379 5212.

Where the concern relates to a Person in a Position of Trust ("PIPOT"), such as that person's suitability to work with adults with care and support needs, as opposed to a specific safeguarding concern, then this can be raised via email at: safeguardingadults@enfield.gov.uk

More information is available via the link: <https://www.enfield.gov.uk/safeguardingadults>

(Note that **Child Protection concerns** are covered in the next section of this document. See 5. (a) and (b) below).

- Matters that would normally be dealt with by the *London Borough of Enfield's/the school's* **collective bargaining arrangements** with its recognised Trade Unions/Professional Associations. These should be reported, as appropriate, to:
 - the **GMB** 020 8379 6138 or email: branch@gmbenfield20.org.uk or gmbenfield@btconnect.com
 - **UNISON** (schools) 020 8379 4047 or email: schools@enfieldunison.co.uk or (general) 020 8379 4082 email: office@enfieldunison.co.uk

- **UNITE the Union** 24-hour legal helpline: 0800 709 007. London and Eastern region contact number: 020 8800 4281
- **The National Education Union (NEU)** London Region 020 8477 1234 or, to speak to a member adviser, call AdviceLine on 0345 811 8111
- **NASUWT Greater London Regional Centre** Email contact: rc-london@mail.nasuwt.org.uk; Telephone line for advice issues only (members in England) 03330 145550 or email at advice@mail.nasuwt.org.uk
- **VOICE** (Head Office, Derby) on 01332 372 337
- **NAHT** (General Enquiries) on 0300 30 30 333 or email: info@naht.org.uk
- **ASCL** on 0116 2991122

Alternatively, you may wish to contact your Professional Association/Trade Union's local School or Branch Representative in the first instance.

- **Complaints from the public that relate to the standard of service delivered by the school or the school's Contractors.** These should be reported through the *school's* Complaints Procedure.

5. HOW TO RAISE A CONCERN

(a) PRIOR to raising a concern

(i) Where there are concerns relating to a child protection matter, action should be taken in accordance with the *school's* Child Protection Policy and any other advice and guidance set out by the Safeguarding Enfield Partnership and the Department for Education (DfE).

Statutory guidance issued by the **DfE** in relation to the safeguarding of children and young people includes '**Working Together to Safeguard Children**' and '**Keeping Children Safe in Education**' (KCSIE). The relevant DfE website page can be located at: <https://www.gov.uk/government/collections/statutory-guidance-schools#safeguarding-children-and-young-people>

The website for the Safeguarding Enfield Partnership can be visited at: <https://www.enfield.gov.uk/safeguardingenfield/>

Specifically in relation to making a disclosure under this Whistleblowing Policy:

Where any concerns you may have are about the behaviour of another employee/worker in relation to a child protection matter, you should raise them as described under (b) below.

OR OTHERWISE

For other concerns that are NOT about the behaviour of another employee/worker in relation to a child protection matter, you should raise them under (c) below.

(ii) If you are a member of a Professional Association or Trade Union, it may have in place a Code, or rules, which set out how members should act in relation to raising concerns involving colleagues and/or in relation to dealings with colleagues in general. You are advised, in these circumstances, to familiarise yourself with any such Code or rules or contact your Professional Association or Trade Union for further advice prior to taking action. In any event, you may wish to consult your Professional Association/Trade Union for advice and support prior to raising a concern.

(b) How To Raise a Concern about the Behaviour of another Employee/Worker in relation to a Child Protection Matter

Part One of the statutory DfE guidance ‘Keeping Children Safe in Education’ (KCSIE) provides advice on what school staff should do if they have if they have concerns about another staff member. (For this purpose, this should also to be taken to include any other trainees, workers, volunteers, governors or others providing services to the *school*). In these circumstances:

- Any employee, worker or other person to whom this policy and procedure applies who has a concern(s) about another member of staff/worker/trainee at, or providing services to the *school*, should immediately, or at the earliest possible opportunity, refer the matter to the *Headteacher*.

Where it is decided that it meets the threshold of harm/risk of harm and is, therefore, an allegation, the *Headteacher* will report to the Local Authority Designated Officer (LADO)¹ immediately and, in any event, within one working day. (If appropriate, the Police should also be notified within one working day – or immediately, if necessary).

- If the concerns relate to the *Headteacher*, the matter should instead be reported to the *Chair of Governors*. The *Chair of Governors* will then report to the LADO (and Police, as appropriate) in the above circumstances.

¹ Every Council has a duty to manage allegations and concerns about any person who works with children and young people in their area. This includes Council staff, staff/workers, staff/workers of partner agencies, volunteers and any others who may work with local children. The LADO is responsible for managing all child protection allegations made against persons who work with children and young people in the area. The LADO must be contacted within one working day in respect of all cases in which it is alleged that - a person who works with children has behaved in a way that has harmed, or may have harmed, a child; possibly committed a criminal offence against or related to a child; behaved towards a child or children that indicates he or she may pose a risk of harm to children; or behaved or may have behaved in a way that indicates they may not be suitable to work with children. The LADO is responsible for managing and overseeing individual cases from all agencies, providing advice and guidance to employers and voluntary organisations around allegations and concerns, chairing strategy meetings (known as ‘Allegations against staff and Volunteers’ [ASV] meetings in the London Child Protection Procedures), ensuring a fair and consistent process, monitoring progress of cases to ensure they are dealt with as quickly as possible and ensuring the child’s voice is heard and that s/he is safeguarded.

- *In the event of an allegation being made against the Headteacher, where the Headteacher is also the sole proprietor of an Independent school, allegations should be reported directly to the LADO.*

Employees/workers or any other persons to whom this policy and procedure applies may consider discussing any concerns with the school's designated safeguarding lead and make any referral via him/her.

Following the raising of a concern under this heading, further action will be taken in accordance with the procedures in place for addressing child protection matters. The referrer of the matter will be informed as appropriate.

It is hoped that concerns raised can be dealt with through these channels other than in exceptional circumstances. However, where you consider that your genuine concerns have not been satisfactorily resolved, or are not being addressed, other whistleblowing channels are set out in 13. below, 'Taking Your Concerns Further – External Contacts'. (Note that Ofsted will normally address whistleblowing referrals about a Local Authority's general safeguarding arrangements. However, Ofsted does not have the authority to investigate or follow up whistleblowing concerns relating to individual cases, except where they provide evidence of more widespread or systematic failure).

(c) How To Raise a Concern that is NOT about the behaviour of another Employee/Worker in relation to a Child Protection matter

When raising your concern you may wish to take advice on the matter from any of those listed in the section below or discuss your concerns with a colleague first. It is advisable that you report your concern as early as possible. A significant delay in reporting the matter may make the subsequent investigation difficult to pursue.

PLEASE NOTE: For maintained schools, if the allegation relates to fraud or financial impropriety, then the matter must also be reported to the Council's Head of Internal Audit and Risk Management (see Step 4 below).

Step 1

As a first step, you should normally report any concerns to **your Line Manager or his/her Manager**.

It is always preferable for concerns to be raised in writing. Where this is the case, the following details should be included wherever possible:

- Name and contact details
- Background and history, names and relevant dates and the reasons why you are particularly concerned about the situation
- Whether you wish your name to remain confidential (see also Page 10 below, 'Your Confidentiality')
- Whether you want feedback
- The names and roles of any employees or others who may support your concern(s).

If you feel hesitant about putting your concerns in writing at this stage, you should speak to the manager to whom you wish to make the report and arrange to

meet with him/her. However you may be asked to put the details in writing at a later stage.

Step 2

If you feel the matter is extremely serious, sensitive or involves your Line Manager or their Manager, you may report the matter, in the manner set out in Step 1 above, directly to **the Headteacher or the Chair of Governors**, as appropriate.

Step 3

If these channels have been followed and you still have concerns, or if you feel that the matter is so serious that you cannot discuss it with any of the above, then you should contact:

Contact for Employees/Workers in Maintained Schools
Tony Theodoulou, Executive Director – People, People Department on 020 8379 4610

Contact for Employees/Workers in Academies/Free/Other Independent Schools
<i>Academies and others to insert relevant contact details</i>

Step 4

In addition to the steps above, you can also at any stage contact the persons named below.

For maintained schools, any allegation involving fraud or financial impropriety **must** in any event be reported to the Head of Internal Audit and Risk Management even if the process outlined in Steps 1 to 3 has been followed.

Contacts for Employees/Workers in Maintained Schools
Gemma Young, Head of Internal Audit and Risk Management on 020 8132 1756 or 07900 168938 or e-mail Gemma.young@enfield.gov.uk
<u>OR</u>
Terry Osborne, Director of Law and Governance on 020 8132 0668 or e-mail terry.osborne@enfield.gov.uk

Contacts for Employees/Workers in Academies/Free/Other Independent Schools
<i>Academies and others to insert relevant contact details</i>

NOTE RELEVANT TO COUNCIL OFFICERS RECEIVING A DISCLOSURE FROM EMPLOYEES/WORKERS IN MAINTAINED SCHOOLS - Officers receiving a report

under this section **must** notify the Audit and Risk Management Service of the report as soon as possible so that the Council meet their requirements to keep a central record of whistleblowing concerns raised.

NOTE FOR ACADEMIES (inc. Free Schools [and others as relevant]) – Academies must be aware of any related requirements set out in their Funding Agreements and the Academies Financial Handbook. They also have a specific responsibility for notifying the Education and Skills Funding Agency (ESFA) of certain instances of fraud, theft and/or irregularities.

6. HOW THE MATTER WILL BE HANDLED

Once you have raised your concern, an initial assessment will be made to determine what action needs to be taken. This may involve an internal inquiry or a more formal investigation. Do not forget that testing out your concerns is not the same as either accepting or rejecting the concern.

Where appropriate, the concerns raised may:

- be investigated internally by management, inc. *Governors (or by Officers from the London Borough of Enfield, where appropriate)* and/or through the disciplinary process;
- be referred to the Police or another appropriate agency such as Her Majesty's Revenue and Customs (HMRC) or United Kingdom Visas and Immigration (UKVI);
- be referred to the external auditor, or ESFA in relation to an Academy; or
- form the subject of an independent inquiry, or investigation by Ofsted.

(NB. Concerns raised under 5. (b) above will be dealt with in accordance with the relevant Child Protection procedures)

When you raise your concern, you may be asked how you think the matter might best be resolved. You will also be required to disclose any personal interest in the matter at the outset.

Any concerns that should be dealt with through another procedure, such as the Grievance Procedure, will be redirected. Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.

You will be advised of the person responsible for handling the matter, how you can contact them and whether further assistance is required. Where possible, you will receive a letter summarising your concern and proposed actions to be taken.

Whilst the purpose of this Policy is to enable possible malpractice to be investigated and to take appropriate steps to deal with it, **you will be given as much feedback as permissible.** Please note, however, that it may not be possible to tell you the precise action being taken where this would infringe a duty of confidence owed to another party.

It should be noted that where a concern raised is linked to a potential redundancy, disciplinary and/or other managerial issue these processes will continue in parallel with the investigation of the alleged wrongdoing and will not

prevent any subsequent action being pursued through to conclusion. This principle is not intended to prevent employees/workers from raising concerns.

Where employees/workers have genuine concerns about potential wrongdoing they are expected to raise these concerns at the earliest opportunity and not raise these in response to other managerial actions being instigated.

In all cases, when a concern is raised in writing, the responsible person will write to you:

- Acknowledging that the concern has been received
- Indicating how we propose to deal with the matter
- Providing an estimated timeframe to provide a final response
- Advising whether any initial enquires have been made
- Supplying you with information on staff support mechanisms, and
- Informing you if further investigations will take place and, if not, why not.

In circumstances where you are asked to attend any meeting(s) relating to the concern(s) you have raised, you may find it helpful to be accompanied by:

- a local area or regional official of a Trade Union/Professional Association;
- a workplace Trade Union/Professional Association Representative, as long as s/he has been reasonably certified in writing by their union as having experience of, or having received training in, acting as an employee's companion at such meetings. Certification may take the form of a card or letter; or
- a work colleague.

7. IF YOU ARE DISSATISFIED

Whilst it cannot be guaranteed that you will receive a response to all matters in the way that you might wish, the matter will be handled fairly and in accordance with this policy. If you are dissatisfied with the response you receive it may be appropriate to seek external advice (see 13. below).

8. ASSURANCES TO YOU

The Governors are committed to the Whistleblowing Policy and recognise that the decision to report a concern can be a difficult one to make. If you raise what you reasonably believe to be a genuine concern under this Policy, in the public interest, you will be protected from possible reprisal or victimisation. In these circumstances, it does not matter if you are mistaken, no action will be taken against you.

Of course, we do not extend this assurance to someone who maliciously raises a matter they know is untrue. If you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

By reporting or raising a concern, you will be doing your duty to your employer and those for whom you are providing a service.

9. STATUTORY PROTECTION

The Public Interest Disclosure Act 1998, as amended, and including provisions implemented under the Enterprise and Regulatory Reform Act 2013, establishes your right to speak out about malpractice. The legislation provides individuals with protection from victimisation by others, dismissal or any other detriment, provided they follow the correct procedure, they reasonably believe that what they have reported is either happening, has taken place, or is likely to happen in the future and that disclosure is in good faith and the public interest.

An employee/worker will have to show three things to claim Public Interest Disclosure Act protection:

1. That s/he made a disclosure
2. That s/he followed the correct disclosure procedure
3. That s/he was dismissed or suffered a detriment as a result of making the disclosure.

A tribunal has the power to reduce any compensation by up to 25% if it thinks the disclosure was made in "bad faith".

Please be aware that, if you report your concerns to the media, in most cases you will lose your whistleblowing legal rights.

10. VICTIMISATION, BULLYING OR HARASSMENT

Employees/workers need to be aware that they must not in any way mistreat a whistle blower by subjecting them to detriment, victimisation, bullying, or harassment. The *Governors* will not tolerate any form of victimisation, bullying or harassment (including informal pressures) from your colleagues, peers, managers, or from external sources, and will take appropriate action to protect you when you raise what you believe to be a genuine concern in the public interest.

If you consider that you have been, are being, or are likely to be victimised, dismissed, made redundant or made to suffer some other detriment as a result of making a report under this procedure, you should report your concerns as set out under any of the Steps 1 to 4 above, as appropriate to the circumstances. The matter will then be dealt with as a new referral under this procedure.

Any investigation into allegations of malpractice will not influence, or be influenced by, any disciplinary, capability or redundancy procedures that already affect you.

11. YOUR CONFIDENTIALITY

It is recognised that you may want to raise a concern in confidence under this Policy. If you ask for your identity to be protected, it will not be disclosed without your consent. If the situation arises where the concern cannot be resolved without your identity being revealed (for example where you are needed to come forward as a witness or to give evidence in court), it will be discussed with you about whether and how the matter can proceed.

12. ANONYMOUS ALLEGATIONS

Concerns expressed anonymously are much less powerful but will be considered at the discretion of the *Governors or the London Borough of Enfield*, as appropriate. In exercising this discretion, the factors to be taken into account would include:

- the seriousness of the issues raised;
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

Remember - if you do not state who you are, it will be much more difficult for the matter to be investigated, for your position to be protected or for you to receive feedback. Please note it is less likely that either the *Governors or the London Borough of Enfield* will be able to respond, or provide feedback, to unattributable email addresses.

13. TAKING THE MATTER FURTHER – EXTERNAL CONTACTS

The aim of this policy is to provide an internal mechanism for reporting, investigating and putting right any wrongdoing in the workplace. **It is hoped that, in the majority of cases, you will not find it necessary to refer the matter to an external contact. You are strongly encouraged to seek advice before reporting a concern to an external body.** However, if the steps within this policy do not provide a suitable resolution, there are other whistleblowing channels available to you provided that you have supporting evidence. There are also organisations that can provide general advice. As appropriate to the circumstances, such organisations include, for example, those listed overleaf.

EXTERNAL CONTACT	TYPE OF ISSUE
Protect (Previously Public Concern at Work (PCAW)). Protect provide free, confidential whistleblowing advice and can be contacted via their webform . More information is available on their website .	General Advice (Confidential advice to would be whistle blowers concerned about making a disclosure and whether they will be protected)
Citizens Advice Bureau There are various ways to contact Citizens Advice. Visit the website to find out more details: https://www.citizensadvice.org.uk/about-us/contact-us/ Contact an adviser through the national phone service Adviceline (England): 03444 111 444	General Advice
NSPCC Website link: https://www.nspcc.org.uk/keeping-children-safe/reporting-abuse/dedicated-helplines/whistleblowing-advice-line/ Whistleblowing Helpline 0800 028 0285 Email: help@nspcc.org.uk Write to: NSPCC, Weston House, 42 Curtain Road, London. EC2A 3NH	Child Protection and Welfare (Support for professionals who are worried about how child protection issues are being handled in their workplace).
Ofsted Whistleblowing Hotline 0300 123 3155 (8am to 6pm Mon-Fri) Email: whistleblowing@ofsted.gov.uk	Local Authority general Safeguarding Arrangements**
Health and Safety Executive (HSE) Tel 0300 003 1647 Visit the website for further information and ways to contact HSE http://www.hse.gov.uk/contact/whistleblowers.htm	Health and Safety Matters

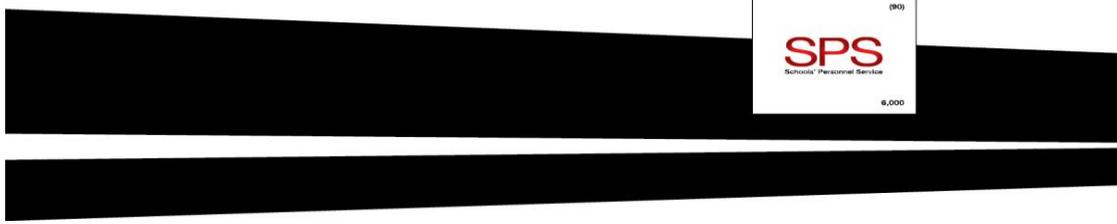
Environment Agency Incident Hotline 0800 80 70 60 (24 hour service) For more information and details of incidents covered, visit the website: https://www.gov.uk/report-an-environmental-incident	Environmental Matters
Information Commissioners Office (ICO) Helpline 0303 123 1113 For further information visit the website at: https://ico.org.uk/make-a-complaint/	Data Protection matters
Her Majesty's Revenue and Customs (HMRC) HMRC-related fraud Tel: 0800 788 887 Website: https://www.gov.uk/government/organisations/hm-revenue-customs/contact/report-fraud-to-hmrc General contact information can be located at the website: https://www.gov.uk/contact-hmrc	Financial Irregularities
The Comptroller and Auditor General To make a disclosure to the Comptroller and Auditor General 020 7798 7999 Write to: The Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London. SW1W 9SP The website page can be located at: https://www.nao.org.uk/contact-us/whistleblowing-disclosures/	The Conduct of Public Business, Value for Money, Fraud and Corruption relating to the provision of Public Services
BDO LLP (The London Borough of Enfield's Appointed Auditor) Contactable via their website https://www.bdo.co.uk/en-gb/contact	Public Sector Finance matters or Financial Irregularity
The Police	Criminal Offences
Education and Skills Funding Agency (ESFA) Cheylesmore House, Quinton Road, Coventry. CV1 2WT Tel: 0845 377 5000	In relation to Academy Trusts/Free Schools/post-16 education or training provider, intervenes if there is risk of failure or mismanagement of public funds
Other relevant Professional Bodies or Regulatory Organisations; Relevant Voluntary Organisations	Other matters – see note overleaf

N
B. See link overleaf for a full list of prescribed persons and bodies for making a disclosure.

IMPORTANT NOTE: If you decide that you need to make a disclosure to a prescribed person other than your employer, you must make sure you have chosen the correct person or body for your issue.

A full list of prescribed persons and bodies that you can make a disclosure to can be found on the following link:

<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies>





LONDON BOROUGH OF ENFIELD

ANTI-MONEY LAUNDERING POLICY & GUIDANCE JANUARY 2023

1. Introduction

- 1.1 The Money Laundering Regulations 2007, in conjunction with the EU's Fourth Money Laundering Directive (effective from June 2017), have brought the UK in line with all European Union countries and made it more difficult for criminals to utilise the proceeds of their crimes as well as preventing terrorist funding. This policy outlines the Council's and its relevant subsidiary companies' responsibility to comply with these regulations and updates the previous policy that was issued in 2020.
- 1.2 In addition, a guidance document to this policy available to all staff, members and contractors with access to SharePoint, sets out the procedures which must be followed (for example the reporting of suspicions of money laundering activity), to enable the Council and its subsidiary companies to demonstrate compliance with its legal obligations.
- 1.3 The legislation relating to this area is detailed and complex. Should you require further information, you should contact the Money Laundering Reporting Officer (MLRO), or the Audit and Risk Management Team, on 020 8132 1756.

2 Scope of the Policy

- 2.1 This policy applies to all employees, members and contractors of the Council and its subsidiary companies and aims to maintain the high standards of conduct which currently exist by preventing criminal activity through money laundering.
- 2.2 This policy sits alongside the Council's Counter Fraud Strategy as well as the Whistleblowing Policy & Procedures.
- 2.3 Failure by employees to comply with the procedures set out in this policy may lead to disciplinary action being taken against them. Any

disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and procedures.

- 2.4 For the purposes of this policy, any reference to "employees" or "staff" includes by definition employees of both the Council and any of its subsidiary companies.

3. What is Money Laundering?

- 3.1 Money laundering involves the "cleaning" of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash, but also other illegally gained assets, are introduced into the organisation's systems where they are processed, enabling them to leave the systems appearing to come from a legitimate source.

4. Policy Statement

- 4.1 Our policy is to do all we can to:

- i) Prevent, wherever possible, the Council and its relevant subsidiary companies, its employees, members and contractors from being exposed to money laundering.
- ii) Identify the potential areas where it may occur.
- iii) Comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

- 4.2 To do this:

- i) This policy document and the associated Guidance Note will be made available via the intranet.
- ii) We will provide training to relevant staff via the Fraud Awareness module on iLearn, supplemented by face-to-face training when required.
- iii) We will undertake risk-based targeted internal audit work to provide assurance about compliance.
- iv) The MLRO, with assistance from a nominated deputy will ensure that money laundering suspicions are reported in accordance with the legal and regulatory requirements.
- v) Provide updates and assurance to members, via the General Purposes Committee, on how the Council is complying with and implementing the Money Laundering Regulations.

5. The Money Laundering Reporting Officer and Compliance Officer

- 5.1 The officer nominated to receive disclosures about money laundering activity within the Council and its subsidiary companies is Gemma Young, Head of Internal Audit and Risk Management, who may be contacted by telephone on 020 8132 1756 or 07900 168 938 or by email: gemma.young@enfield.gov.uk.

- 5.2 In the absence of the Money Laundering Reporting Officer, Bob Cundick, Counter Fraud Manager, is authorised to deputise, and can be contacted at on telephone number 020 8132 1878 or email bob.cundick@enfield.gov.uk.
- 5.3 In the absence of both the MLRO and deputy MLRO, you must contact your Head of Service for advice.
- 5.4 In order to comply with responsibilities covered by the EU's Fourth Money Laundering Directive that came in force in June 2017, the Council and its relevant subsidiary companies have appointed a suitably senior officer / board member as Compliance Officer, to oversee activities that fall within the scope of the money laundering regulations, particularly regarding compliance with due diligence arrangements for services where there is exposure to the risk of money laundering. This officer shall be Fay Hammond, Executive Director of Resources.

6 Key Responsibilities

- 6.1 For this policy to be effective, it is the responsibility of **every employee, member and contractor** to be vigilant and to report any transaction or potential transaction that may arouse suspicion to the MLRO, or deputy MLRO. This should be done as soon as possible, to protect both the Council or its relevant subsidiary companies and the member of staff from future legal action.
- 6.2 Once a report has been received, it will be the MLRO's responsibility to undertake reasonable enquiries to determine what further action is to be taken. This will include whether a Suspicious Activity Report (SAR) should be prepared and submitted to the National Crime Agency (NCA).
- 6.3 All employees, members and contractors are required to co-operate with the MLRO and other investigating authorities during any subsequent money laundering investigation. Where it has been considered necessary for checks to be completed with regards to the identity of an individual for compliance with the money laundering regulations, Council or relevant subsidiary departments should maintain records of evidence gathered, when, and make them available to any investigation.
- 6.4 Under no circumstances should an individual:
- Undertake any further enquiries into the matter themselves; or
 - Raise any suspicions with the person(s) suspected of money laundering, even if consent to proceed with the transaction has been received. This would be referred to as 'tipping off'.

- 6.5 Failure to comply with the money laundering regulations including “tipping off” may result in an individual being fined or imprisoned.
- 6.6 The Compliance Officer is responsible for ensuring that appropriate due diligence arrangements are in place in relevant services that could be exposed to the risk of money laundering.
- 6.7 Should an employee, member, or contractor have any concerns or require further advice, they should contact the MLRO.

ANTI-MONEY LAUNDERING GUIDANCE

DEFINITION

Money laundering involves the “cleaning” of illegal property in order to disguise the criminal origin. The proceeds of criminal activity, usually cash, but also other illegally acquired assets, are introduced into the organisation’s system where they are processed, enabling them to leave the system appearing to come from a legitimate source. As the Council or its relevant subsidiary companies enter into thousands of transactions every day it could be subject to money laundering attempts.

1. INTRODUCTION

- 1.1 The Money Laundering Regulations 2007 brought the UK in line with all European Union countries and made it more difficult for criminals to utilise the proceeds of their crimes as well as preventing terrorist funding.
- 1.2 The primary anti-money laundering offences are now embodied within the Proceeds of Crime Act 2002 (POCA) as amended by the Serious Organised Crime and Police Act 2005.
- 1.3 The definition of money laundering has been broadened and there is now an increased range of activities caught by the statutory framework. As a result, the obligations now impact on certain areas of local authority business and require them to establish internal procedures to prevent the use of their services for money laundering and plan the scope of customer due diligence. There is now a stronger emphasis on professional services to know their clients and monitor how their clients use their services.

2. SCOPE OF THE ANTI-MONEY LAUNDERING POLICY

- 2.1 The money laundering regulations apply to all individuals, including employees, members and contractors of the Council or its relevant subsidiary companies (including agency workers). The Council’s anti-money laundering policy aims to maintain the high standards of conduct that currently exist by preventing criminal activity through money laundering.
- 2.2 This Guidance Note sets out the procedures, which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council and its relevant subsidiary companies to comply with their legal obligations.
- 2.3 Failure by an employee to comply with the procedures set out in the policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council’s Disciplinary Policy and Procedure.
- 2.4 Failure to comply may also result in an individual being fined or imprisoned.

3. WHAT IS MONEY LAUNDERING?

3.1 There are three elements that constitute money laundering:

Concealing - you commit this offence if you conceal, disguise, convert, or transfer criminal property or remove it from England, Wales, Scotland or Northern Ireland (Section 327 POCA).

Arrangements – you commit an offence if you enter into or become concerned in an arrangement which you know or suspect facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328 POCA).

Acquisition use and possession – you commit an offence if you acquire, use or have possession of criminal property (Section 329 POCA).

It is also an offence to fail to disclose knowledge or suspicion of money laundering where you acquired such knowledge or suspicion in the course of your work (Section 330 POCA). There are further offences of Tipping Off and Prejudicing an investigation (Section 333A and Section 342 POCA).

4. WHAT ARE THE COUNCIL'S AND SUSIDIARY COMPANIES' OBLIGATIONS?

4.1 Organisations conducting “relevant business” must:

Appoint a Money Laundering Reporting Officer (“MLRO”) to receive disclosures from employees of money laundering activity (their own or anyone else's);

Appoint a Compliance Officer with sufficient authority to ensure that appropriate due diligence arrangements are in place and operating effectively for relevant services, where there is significant exposure to the risk of money laundering.

Implement a procedure to enable the reporting of suspicions of money laundering;

Maintain client due diligence procedures in certain circumstances; and

Maintain record keeping procedures.

4.2 Not all of the Council's business is “relevant” for the purposes of the legislation. However, the safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the Council or its relevant subsidiary companies; therefore, all staff are required to comply with the reporting procedure set out in section 6 below.

5. THE MONEY LAUNDERING REPORTING OFFICER (MLRO)

- 5.1 The officer nominated to receive disclosures about money laundering activity within the Council or its relevant subsidiary companies is the Head of Internal Audit and Risk Management, Gemma Young, who can be contacted on 020 8132 1756 or 07900 168938 or by email: gemma.young@enfield.gov.uk.
- 5.2 In the absence of the MLRO, Bob Cundick, Counter Fraud Manager, is authorised to deputise, and can be contacted on telephone number 020 8132 1878 or by email: bob.cundick@enfield.gov.uk
- 5.3 In the absence of both the MLRO and deputy MLRO, you must contact your Head of Service for advice.

6. DISCLOSURE PROCEDURE

Reporting to the Money Laundering Reporting Officer

- 6.1 Where you know or suspect that money laundering activity is taking / has taken place or become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as practicable to the MLRO or deputy. The disclosure should be within “hours” of the information coming to your attention, not weeks or months later. Should you not do so, then you may be liable to prosecution.
- 6.2 Your disclosure should be made to the MLRO using the pro-forma report attached at Annex 1.
- 6.3 Once you have reported the matter to the MLRO you must follow any directions they may give you. You must not make any further enquiries into the matter yourself and you must not proceed with the transaction until given the all clear. Any necessary investigation will be undertaken by the National Crime Agency (NCA). Simply report your suspicions to the MLRO who will undertake some preliminary enquiries and refer the matter on to the NCA if appropriate. All members of staff will be required to co-operate with the MLRO and the investigating authorities during any subsequent money laundering investigation.
- 6.4 Similarly, at no time and under no circumstances should you voice any suspicions or raise suspicions by your actions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO. Otherwise you may commit a criminal offence of “tipping off” (see 3.1 above).

Consideration of the disclosure by the Money Laundering Reporting Officer

- 6.5 Upon receipt of a disclosure report, the MLRO will advise you of the timescale within which you will be responded to. Usually this will be within 10 working days.
- 6.6 The MLRO will undertake such other reasonable enquiries considered appropriate to ensure that all available information is taken into account in deciding whether a Suspicious Activity Report (SAR) to the NCA is required.
- 6.7 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.
- 6.8 The MLRO commits a criminal offence if she knows or suspects, or has reasonable grounds to do so, through a disclosure being made to her, that another person is engaged in money laundering and she does not disclose this as soon as practicable to the NCA.

7. CUSTOMER DUE DILIGENCE (CDD)

- 7.1 Customer Due Diligence (CDD) is a procedure which is carried out when undertaking 'regulated activities'. New regulations recommend that additional screening requirements should be required for staff who are involved in CDD procedures.

Regulated activity is the provision 'by way of business' of, amongst other things, certain legal services, estate agency, accountancy, audit, and other financial services, which requires that extra care is taken to check the identity of the customer or client. It requires procedures to identify your customers and check they are who they say they are. This requires obtaining a customer's:

- name
- photograph on an official document which confirms their identity
- residential address or date of birth.

- 7.2 Where the Council or its subsidiary companies are carrying out relevant business and:
- a) Forms an ongoing business relationship with a client which is expected to have an element of duration; or
 - b) Undertakes a one-off transaction involving payment by or to the client of 15,000 Euro (approximately £13,000) or more; or
 - c) Undertakes a series of linked one-off transactions involving total payment by or to the client(s) of 15,000 Euro (approximately £13,000) or more; or
 - d) It is known or suspected that a one-off transaction (or a series of them) involves money laundering or terrorist financing; or
 - e) Doubts the veracity or adequacy of documents, data or information previously obtained for the purposes of identification or verification;

then the CDD must be followed before any business is undertaken for that client. Verification may be carried out during the establishment of the business relationship where it is necessary not to interrupt the normal conduct of business and there is little risk of money laundering/terrorist financing occurring, provided that the verification is completed as soon as practicable after contact is first established.

7.3 The objective of completing the CDD is:

- To establish the purpose of the relationship;
- Understand the intended nature of the relationship - for example where funds will come from, the purpose of transactions, and so on.

The information that you need to obtain may include:

- details of your customer's business or employment;
- the source and origin of funds that your customer will be using in the relationship;
- copies of recent and current financial statements;
- details of the relationships between signatories and any underlying beneficial owners;
- the expected level and type of activity that will take place in your relationship.

7.4 Enhanced CDD is the gathering of additional evidence of identity or source of funds to be used in a transaction where:

- the client has not been physically present for identification;
- the client is a politically exposed person, that is an individual who at any time in the previous year has held a prominent public function outside of the UK and EU or international institution/body, this also includes their immediate family members or close associates, including holders of prominent political functions;
- there is a beneficial owner who is not your client. A beneficial owner is a person who holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.

7.5 Where it is established enhanced CDD is required then the sources of evidence referred to in paragraph 7.1 and 7.3 should be applied. Such correspondence should then be placed on the client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.

7.6 The Compliance Officer is responsible for gaining assurance that appropriate CDD procedures are in place.

8. RECORD KEEPING PROCEDURES AND REPORTING

8.1 Each unit of the Council and its subsidiary companies conducting relevant business must maintain records of:

- Client identification evidence obtained; and
- Details of all relevant business transactions carried out for clients

for at least six years. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

9. **GUIDANCE AND TRAINING**

9.1 In support of the policy and procedure, the Council will provide and update training for all relevant staff in respect of its procedures to prevent and identify money laundering and anti-terrorism situations.

10. **CONCLUSION**

10.1 The legislative requirements concerning anti-money laundering are lengthy and complex. This Guidance has been written to support the application of the Council's anti-money laundering policy so as to enable the Council and its relevant subsidiary companies to meet the legal requirements in a way that is proportionate to the risk of contravening the legislation.

10.2 Should you have any concerns regarding any transactions then you should contact the MLRO or deputy MLRO.

CONFIDENTIAL**Report to Money Laundering Reporting Officer**

To: **Money Laundering Reporting Officer (MLRO)**
 Chief Executive's Department
 Enfield Council
 Civic Centre
 Silver Street
 Enfield
 EN1 3XY
 Contact details: 020 8132 1756 or 07900 168938
 Email: gemma.young@enfield.gov.uk

From:
(insert name of employee)

Ext/Tel No.....

DETAILS OF SUSPECT:

Title	
Surname	
Forename	
Date of Birth	
Address	

IN THE CASE OF A LEGAL ENTITY (COMPANY):

Company Name:	
Address:	
Company Number:	
VAT Number:	

REASON FOR DISCLOSURE:

Please detail your suspicion providing an explanation of the activity and amounts. If you know or suspect what the offence behind the reported activity may be, please also provide those details.

OFFICE USE ONLY:

RECEIVED BY MLRO

Date:

Signature:

Please do not discuss your money laundering suspicion with anyone you believe to be involved in the suspected activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years imprisonment.

Enfield Equality Impact Assessment (EqIA)

Introduction

The purpose of an Equality Impact Assessment (EqIA) is to help Enfield Council make sure it does not discriminate against service users, residents and staff, and that we promote equality where possible. Completing the assessment is a way to make sure everyone involved in a decision or activity thinks carefully about the likely impact of their work and that we take appropriate action in response to this analysis.

The EqIA provides a way to systematically assess and record the likely equality impact of an activity, policy, strategy, budget change or any other decision.

The assessment helps us to focus on the impact on people who share one of the different nine protected characteristics as defined by the Equality Act 2010 as well as on people who are disadvantaged due to socio-economic factors. The assessment involves anticipating the consequences of the activity or decision on different groups of people and making sure that:

- unlawful discrimination is eliminated
- opportunities for advancing equal opportunities are maximised
- opportunities for fostering good relations are maximised.

The EqIA is carried out by completing this form. To complete it you will need to:

- use local or national research which relates to how the activity/ policy/ strategy/ budget change or decision being made may impact on different people in different ways based on their protected characteristic or socio-economic status;
- where possible, analyse any equality data we have on the people in Enfield who will be affected eg equality data on service users and/or equality data on the Enfield population;
- refer to the engagement and/ or consultation you have carried out with stakeholders, including the community and/or voluntary and community sector groups and consider what this engagement showed us about the likely impact of the activity/ policy/ strategy/ budget change or decision on different groups.

The results of the EqIA should be used to inform the proposal/ recommended decision and changes should be made to the proposal/ recommended decision as a result of the assessment where required. Any ongoing/ future mitigating actions required should be set out in the action plan at the end of the assessment.

The completed EqIA should be included as an appendix to relevant EMT/ Delegated Authority/ Cabinet/ Council reports regarding the service activity/ policy/ strategy/ budget change/ decision. Decision-makers should be confident that a robust EqIA has taken place, that any necessary mitigating action has been taken and that there are robust arrangements in place to ensure any necessary ongoing actions are delivered.

SECTION 1 – Equality Analysis Details

Title of service activity / policy/ strategy/ budget change/ decision that you are assessing	Report to the General Purposes Committee for the review of three Counter Fraud policy documents: Sanction & Prosecution Policy (annual review); Whistleblowing Policy & Procedures (annual review); Anti-Money Laundering Policy and Guidance (annual review).
Team/ Department	Chief Executive's Audit & Risk Management Service
Executive Director	Terry Osborne, Director of Law and Governance
Cabinet Member	ClIr Tim Leaver, Cabinet Member for Finance & Procurement
Author(s) name(s) and contact details	Bob Cundick, Counter Fraud Manager bob.cundick@enfield.gov.uk
Committee name and date of decision	General Purposes Committee – 19 January 2023

Date the EqIA was reviewed by the Corporate Strategy Service	19 December 2022
Name of Head of Service responsible for implementing the EqIA actions (if any)	Gemma Young Head of Internal Audit and Risk Management
Name of Director who has approved the EqIA	Terry Osborne, Director of Law and Governance

SECTION 2 – Summary of Proposal

Please give a brief summary of the proposed service change / policy/ strategy/ budget change/project plan/ key decision

Please summarise briefly:

What is the proposed decision or change?

What are the reasons for the decision or change?

What outcomes are you hoping to achieve from this change?

Who will be impacted by the project or change - staff, service users, or the wider community?

Three Counter Fraud policies are due to be presented to the General Purposes Committee (GPC) in January 2023 for annual review.

The **Sanction and Prosecution Policy** was first presented to the GPC in March 2021; the **Whistleblowing Policy** and **Money Laundering Policy** have both been established for several years. All three policies were reviewed by GPC in January 2022.

In summary, the **Sanction and Prosecution Policy** sets out the case disposal options that are available to us in instances where fraud, theft, bribery or corruption have been identified across a wide range of cases including employee misconduct, or fraud involving issues such as housing or Council Tax committed against the Council by members of the community.

Where formal action is to be taken, the Policy establishes a process that requires at least two senior officers to review a case before sanction action can be authorised.

Under the Public Interest Disclosure Act, we are required to have in place a **Whistleblowing Policy** that protects employees from unfair treatment or dismissal if they “blow the whistle” on a concern that is in the public interest, such as matters involving fraud, bribery or corruption, breaches of the law, or health and safety dangers.

It does not cover complaints about another employee’s conduct, or employment terms and conditions, which can ultimately be addressed via the grievance process.

In practice, cases raised by the workforce per year are in single figures.

The **Money Laundering Policy** establishes a process by which staff can and should refer financial transactions to the Council’s Money Laundering Reporting Officer (“MLRO”) if they suspect that the transaction may be related to money laundering or the financing of terrorist activities. The MLRO can then choose to refer the matter on to the National Crime Agency for investigation.

In practice, annual cases raised by the workforce are negligible.

All three policies are due to be presented to the General Purposes Committee for review on 19 January 2023.

SECTION 3 – Equality Analysis

This section asks you to consider the potential differential impact of the proposed decision or change on different protected characteristics, and what mitigating actions should be taken to avoid or counteract any negative impact.

According to the Equality Act 2010, protected characteristics are aspects of a person's identity that make them who they are. The law defines 9 protected characteristics:

1. Age
2. Disability
3. Gender reassignment.
4. Marriage and civil partnership.
5. Pregnancy and maternity.
6. Race
7. Religion or belief.
8. Sex
9. Sexual orientation.

At Enfield Council, we also consider socio-economic status as an additional characteristic.

“Differential impact” means that people of a particular protected characteristic (eg people of a particular age, people with a disability, people of a particular gender, or people from a particular race and religion) will be significantly more affected by the change than other groups. Please consider both potential positive and negative impacts, and, where possible, provide evidence to explain why this group might be particularly affected. If there is no differential impact for that group, briefly explain why this is not applicable.

Please consider how the proposed change will affect staff, service users or members of the wider community who share one of the following protected characteristics.

Age

This can refer to people of a specific age e.g. 18-year olds, or age range e.g. 0-18 year olds.

Will the proposed change to service/policy/budget have a **differential impact [positive or negative]** on people of a specific age or age group (e.g. older or younger people)?

Please provide evidence to explain why this group may be particularly affected.

Although the Whistleblowing Policy does not deal with child safeguarding concerns specifically, the policy refers people to where they can report safeguarding concerns relating to children. This is expected to positively impact on children with safeguarding concerns.

Apart from this, the policies are not expected to have a differential impact on people of a specific age or age group.

Mitigating actions to be taken

N/A

Disability

A person has a disability if they have a physical or mental impairment which has a substantial and long-term adverse effect on the person's ability to carry out normal day-day activities.

This could include:

Physical impairment, hearing impairment, visual impairment, learning difficulties, long-standing illness or health condition, mental illness, substance abuse or other impairments.

Will the proposed change to service/policy/budget have a **differential impact [positive or negative]** on people with disabilities?

Please provide evidence to explain why this group may be particularly affected.

Although the Whistleblowing Policy does not deal with adult safeguarding concerns specifically, the policy refers people to where they can report safeguarding concerns relating to adults with care and support needs. This is expected to positively impact on adults with additional care and support needs experiencing abuse or neglect.

Apart from this, the policies are not expected to have a differential impact on people with disabilities.

Mitigating actions to be taken

N/A

Gender Reassignment

This refers to people who are proposing to undergo, are undergoing, or have undergone a process (or part of a process) to reassign their sex by changing physiological or other attributes of sex.

Will this change to service/policy/budget have a **differential impact [positive or negative]** on transgender people?

Please provide evidence to explain why this group may be particularly affected.

The policies are not expected to have a differential impact on transgender people

Mitigating actions to be taken

N/A

Marriage and Civil Partnership

Marriage and civil partnerships are different ways of legally recognising relationships. The formation of a civil partnership must remain secular, where-as a marriage can be conducted through either religious or civil ceremonies. In the U.K both marriages and civil partnerships can be same sex or mixed sex. Civil partners must be treated the same as married couples on a wide range of legal matters.

Will this change to service/policy/budget have a **differential impact [positive or negative]** on people in a marriage or civil partnership?

Please provide evidence to explain why this group may be particularly affected

The policies are not expected to have a differential impact on people in a marriage

or civil partnership

Mitigating actions to be taken

N/A

Pregnancy and maternity

Pregnancy refers to the condition of being pregnant or expecting a baby. Maternity refers to the period after the birth and is linked to maternity leave in the employment context. In the non-work context, protection against maternity discrimination is for 26 weeks after giving birth, and this includes treating a woman unfavourably because she is breastfeeding.

Will this change to service/policy/budget have a **differential impact [positive or negative]** on pregnancy and maternity?

Please provide evidence to explain why this group may be particularly affected

The policies are not expected to have a differential impact on pregnancy and maternity.

Mitigating actions to be taken

N/A

Race

This refers to a group of people defined by their race, colour, and nationality (including citizenship), ethnic or national origins.

Will this change to service/policy/budget have a **differential impact [positive or negative]** on people of a certain race?

Please provide evidence to explain why this group may be particularly affected

The policies are not expected to have a differential impact on people of a certain race

Mitigating actions to be taken

N/A

Religion and belief

Religion refers to a person's faith (e.g. Buddhism, Islam, Christianity, Judaism, Sikhism, Hinduism). Belief includes religious and philosophical beliefs including lack of belief (e.g. Atheism). Generally, a belief should affect your life choices or the way you live.

Will this change to service/policy/budget have a **differential impact [positive or negative]** on people who follow a religion or belief, including lack of belief?

Please provide evidence to explain why this group may be particularly affected.

The policies are not expected to have a differential impact on people who follow a religion or belief, including lack of belief

Mitigating actions to be taken

N/A

Sex

Sex refers to whether you are a man or woman.

Will this change to service/policy/budget have a **differential impact [positive or negative]** on men or women?

Please provide evidence to explain why this group may be particularly affected.

The policies are not expected to have a differential impact on men or women

Mitigating actions to be taken

N/A

Sexual Orientation

This refers to whether a person is sexually attracted to people of the same sex or a different sex to themselves. Please consider the impact on people who identify as heterosexual, bisexual, gay, lesbian, non-binary or asexual.

Will this change to service/policy/budget have a **differential impact [positive or negative]** on people with a particular sexual orientation?

Please provide evidence to explain why this group may be particularly affected.

The policies are not expected to have a differential impact on people with a particular sexual orientation

Mitigating actions to be taken

N/A

Socio-economic deprivation

This refers to people who are disadvantaged due to socio-economic factors e.g. unemployment, low income, low academic qualifications or living in a deprived area, social housing or unstable housing.

Will this change to service/policy/budget have a **differential impact [positive or negative]** on people who are socio-economically disadvantaged?

Please provide evidence to explain why this group may be particularly affected.

With regard to the **Sanction and Prosecution Policy**, persons who are affected by socio-economic deprivation may be more likely to rely on the Council for financial support, or support with their housing needs, and a higher proportion of these persons may be subject to sanction action where fraud is established.

Mitigating actions to be taken.

Continue to ensure that gateways to apply for assistance are updated to include clear warnings that persons found to have committed fraud will be subject to sanctions as per the **Sanction and Prosecution Policy**.

We have arranged for the “Better Off Enfield” website to be updated to clearly signpost as part of the online application process that persons who commit fraud can expect to face sanctions, including criminal prosecution in accordance with the Sanction and Prosecution Policy. The online application that persons complete in order to be included on the Housing Register has also been similarly updated.

SECTION 4 – Monitoring and Review

How do you intend to monitor and review the effects of this proposal?

Who will be responsible for assessing the effects of this proposal?

In order to research best practice with regard to collection of data by Counter Fraud teams in respect of protected characteristics, the Fraud Manager at each London Borough was contacted and asked to comment; however, of those who responded, none currently collect this data, although it has been suggested that the topic may be included as an agenda item for discussion at a future Executive Committee meeting of the London Boroughs' Fraud Investigation Group although this has not yet taken place.

As part of the previous EQIA, submitted in March 2021, we undertook to ensure that the gateways for Council assistance clearly warn that persons who commit fraud can expect to face sanctions, including criminal prosecution, in accordance with the **Sanction and Prosecution Policy**.

We have arranged for the "Better Off Enfield" website to be updated to clearly signpost as part of the online application process that persons who commit fraud can expect to face sanctions, including criminal prosecution in accordance with the Sanction and Prosecution Policy. The online application that persons complete in order to be included on the Housing Register has also been similarly updated.



SECTION 5 – Action Plan for Mitigating Actions.

Identified Issue	Action Required	Lead officer	Timescale/By When	Costs	Review Date/Comments
Monitoring	Continue to research and implement best practice in this area	Counter Fraud Manager	31 March 2023	Nil	Ongoing
Gateway warnings	To ensure that Council gateways to assistance contain appropriate warnings re fraudulent actions and links to the Sanction and Prosecution Policy.	Counter Fraud Manager	31 March 2022	Nil	Completed

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