EASTSUFFOLK
COUNCIL

Audit and Governance Committee

Members are invited to an **Extraordinary Meeting of the Audit and Governance Committee**
to be held in the Deben Conference Room, East Suffolk House, Melton
on **Monday, 8 January 2024** at **6:30pm**

This meeting will be broadcast to the public via the East Suffolk YouTube Channel at https://youtube.com/live/0tvnEKF-crU?feature=share

Members:
Councillor Owen Grey (Chair), Councillor Stephen Molyneux (Vice-Chair), Councillor Edward Back, Councillor Tess Gandy, Councillor George King, Councillor Geoff Lynch, Councillor Lee Reeves, Councillor Anthony Speca, Councillor Ed Thompson.

An Agenda is set out below.

Part One – Open to the Public		**Pages**
1	**Apologies for Absence and Substitutions**	
2	**Declarations of Interest** Members and Officers are invited to make any declarations of interests, and the nature of that interest, that they may have in relation to items on the Agenda and are also reminded to make any declarations at any stage during the Meeting if it becomes apparent that this may be required when a particular item or issue is considered.	
3	**Capital Strategy 2024/25 to 2027/28 ES/1764** Report of the Cabinet Member with responsibility for Resources and Value for Money.	1 - 17
4	**Treasury Management Strategy Statement for 2024/25 & Treasury Management Investment Strategy for 2024/25 ES/1766** Report of the Cabinet Member with responsibility for Resources and Value for Money.	18 - 47
5	**Anti-Fraud and Corruption Strategy 2023 ES/1763** Report of the Cabinet Member with responsibility for Resources and Value for Money and the Assistant Cabinet Member for Resources and Value for Money.	48 - 60

Part One – Open to the Public **Pages**

6 **Corporate Risk Management Update ES/1765** **61 - 82**
Report of the Cabinet Member with responsibility for Resources and Value for Money and the Assistant Cabinet Member for Resources and Value for Money.

7 **Whistleblowing Policy ES/1767** **83 - 105**
Report of the Cabinet Member with responsibility for Resources and Value for Money and the Assistant Cabinet Member for Resources and Value for Money.

8 **Exempt/Confidential Items**
It is recommended that under Section 100A(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

Part Two – Exempt/Confidential **Pages**

9 **Internal Audit Status of Actions: Update from Housing and Planning**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Close

Chris Bally, Chief Executive

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Agenda Item 3

ES/1764

AUDIT & GOVERNANCE COMMITTEE

Monday, 08 January 2024

Subject	Capital Strategy 2024/25 to 2027/28
Cabinet Member	Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money
Report Author(s)	Julian Sturman Specialist Accountant – Capital & Treasury Management julian.sturman@eastsuffolk.gov.uk
Head of Service	Lorraine Rogers Chief Finance Officer and Section 151 Officer lorraine.rogers@eastsuffolk.gov.uk
Director	Chris Bally Chief Executive chris.bally@eastsuffolk.gov.uk

Is the report Open or Exempt?	OPEN

Category of Exempt Information and reason why it is **NOT** in the public interest to disclose the exempt information.	Not applicable
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:
The Capital Strategy (***Appendix A***) gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in East Suffolk, along with an overview of how associated risk is managed and the implications for future financial sustainability
Options:
To comply with the CIPFA Prudential code the report is required to be produced and presented to members, and consequently, no other options have been considered.

Recommendation/s:
That having reviewed and commented upon the Capital Strategy 2024/25 to 2027/28, the committee recommends it to Full Council for approval.

Corporate Impact Assessment

Governance:
The report complies with the Charted Institute of Public Finance and Accountancy (CIPFA) Prudential Code to provide information and scrutiny on the Council's Capital Strategy.
ESC policies and strategies that directly apply to the proposal:
East Suffolk Council Strategic Plan
Environmental:
No impacts.
Equalities and Diversity:
No impacts.
Financial:
Management of the Council's capital budget plans and the impact on the council's cash flows transactions.
Human Resources:
No impacts.
ICT:
No impacts.
Legal:
No impacts.
Risk:
Non-compliance with CIPFA's Prudential Code

External Consultees:	None

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: *(Select only one primary and as many secondary as appropriate)*		Primary priority	Secondary priorities
T01	**Growing our Economy**		
P01	Build the right environment for East Suffolk	☐	☐
P02	Attract and stimulate inward investment	☐	☐
P03	Maximise and grow the unique selling points of East Suffolk	☐	☐
P04	Business partnerships	☐	☐
P05	Support and deliver infrastructure	☐	☐
T02	**Enabling our Communities**		
P06	Community Partnerships	☐	☐
P07	Taking positive action on what matters most	☐	☐
P08	Maximising health, well-being, and safety in our District	☐	☐
P09	Community Pride	☐	☐
T03	**Maintaining Financial Sustainability**		
P10	Organisational design and streamlining services	☐	☐
P11	Making best use of and investing in our assets	☐	☒
P12	Being commercially astute	☐	☒
P13	Optimising our financial investments and grant opportunities	☐	☒
P14	Review service delivery with partners	☐	☐
T04	**Delivering Digital Transformation**		
P15	Digital by default	☐	☐
P16	Lean and efficient streamlined services	☐	☐
P17	Effective use of data	☐	☐
P18	Skills and training	☐	☐
P19	District-wide digital infrastructure	☐	☐
T05	**Caring for our Environment**		
P20	Lead by example	☐	☐
P21	Minimise waste, reuse materials, increase recycling	☐	☐
P22	Renewable energy	☐	☐
P23	Protection, education, and influence	☐	☐
XXX	**Governance**		
XXX	How ESC governs itself as an authority	☒	☐

How does this proposal support the priorities selected?

Production of the Capital Strategy is a requirement under the CIPFA Prudential Code demonstrating the Council's governance of its capital plans.

Background and Justification for Recommendation

1	Background facts
1.1	The Capital Strategy (Appendix A) gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in East Suffolk, along with an overview of how associated risk is managed and the implications for future financial sustainability.

2	Current position
2.1	Section 2 of the Strategy outlines the draft Capital Programme 2024/25 to 2027/28 and the way in which it is to be financed. The overall planned expenditure is £410.97m (General Fund £329.03m and HRA £81.94m) over 2023/24 to 2027/28. The 2024/25 planned capital expenditure is £105.66m (General Fund £76.59m and HRA £29.07m).
2.2	Section 3 of the Strategy refers to the Asset Management Strategy, this highlights the treatment of asset disposals and the continuation of the prudent policy of not anticipating capital receipts before they are received.
2.3	Section 4 covers Treasury Management, including both borrowing and investments. Treasury Management is a well-established Council activity that operates within a tightly controlled framework.
2.4	Section 5 presents the Council's approach to Service Investments.
2.5	Section 6 explores the Council's other financial liabilities, both in terms of existing commitments (e.g., the Pension Fund deficit) and guarantees.
2.6	Section 7 explores the in-built revenue implications within the Capital Programme, its financing costs and evaluates its overall "prudence, affordability and sustainability".
2.7	Section 8 explains how the Strategy is underpinned by a systematic approach to obtaining and maintaining the necessary knowledge and skills required, to operate effectively, whilst (simultaneously) adequately protecting the Council's financial risk exposure and wider interests.
2.8	The Strategy concludes in Section 9 which includes an explicit statement by the Chief Finance Officer in accordance with the Prudential Code, providing assurance to Members that the Capital Strategy as a whole is affordable, and that risk has been identified and is being adequately managed.

3	How to address current situation
3.1	The Capital Strategy is a critical component in the delivery of many ambitions included within the Strategic Plan. It is not only essential to achieving one of the three overarching strategic priorities of the Plan ("Financial Sustainability") but is also vital in the delivery of a vast range of service development and delivery initiatives.

4	Reason/s for recommendation
4.1	To enable the Audit & Governance Committee to review the Capital Strategy, including obtaining a recommendation for approval to Full Council.

Appendices

Appendices:	
Appendix A	Capital Strategy 2024/25 to 2027/28

Background reference papers:
None

APPENDIX A

East Suffolk Council

Capital Strategy 2024/25 – 2027/28

1) Introduction

1.1 This Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in East Suffolk, along with an overview of how associated risk is managed and the implications for future financial sustainability. It has purposely been written in an accessible style to enhance understanding of what can be very technical areas.

2) Capital Expenditure and Financing

2.1 Expenditure

2.1.1 Capital expenditure occurs when the Council spends money on assets such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example individual assets costing below £10,000 are not capitalised and are charged to revenue in year.

2.1.2 Further details on the Council's capitalisation policy can be found in the 2022/23 Draft Statement of Accounts on page 40, note n:

- ESC-Statement-of-Accounts-2022-23.pdf (eastsuffolk.gov.uk)

2.1.3 In 2024/25, East Suffolk Council is planning total capital expenditure of £105.66m (and a total of £410.97m from 2024/25 to 2027/28) as summarised in Table 1 below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2023/24 budget	**2024/25 budget**	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
General Fund Services	46,734	76,594	84,927	115,997	4,776
Council Housing (HRA)	14,019	29,068	17,669	12,013	9,173
TOTAL	**60,753**	**105,662**	**102,596**	**128,010**	**13,949**

2.1.4 The capital programme which has been revised through the Councils autumn budget setting process will be reviewed at the January meeting of the Scrutiny Committee. The General Fund and HRA summaries are shown below.

SUMMARY - GENERAL FUND PROGRAMME	2023/24 £000 Revised Budget	2024/25 £000 Revised Budget	2025/26 £000 Revised Budget	2026/27 £000 Revised Budget	2027/28 £000 New Budget	2023/24 to 2027/28 £000 Revised Total
MHCLG Grant Funding to Freeport East via ESC as Accountable Body	0	0	0	0	0	0
Communities, Leisure & Tourism	1,936	5,671	22,850	24,841	0	55,298
Corporate Services (formely ICT - Digital & Programme Management)	796	887	250	250	500	2,683
Corporate Services (formely Operations)	17,505	13,320	4,960	1,930	1,930	39,645
Economic Development & Transport	5,651	21,777	18,498	909	0	46,835
Community Health (formely Environmental Services & Port Health)	485	50	0	0	0	535
Resources & Value for Money (Formerly Financial Services)	400	315	0	0	0	715
Resources & Value for Money (Formerly General Fund Housing)	2,594	2,207	2,194	2,182	2,171	11,348
Resources & Value for Money - Long Term Debtors	0	0	0	0	0	0
Planning & Coastal Management	17,367	32,367	36,175	85,885	175	171,969
Total Capital Expenditure	**46,734**	**76,594**	**84,927**	**115,997**	**4,776**	**329,028**
Financed By:-						
Internal resources - reserves	7,229	2,637	1,250	1,250	1,500	13,866
Internal resources - borrowing	16,485	23,059	36,799	26,635	1,105	104,083
Grants	23,020	50,898	46,878	88,112	2,171	211,079
Total Financing	**46,734**	**76,594**	**84,927**	**115,997**	**4,776**	**329,028**

SUMMARY - HRA PROGRAMME	2023/24 £000 Revised Budget	2024/25 £000 Revised Budget	2025/26 £000 Revised Budget	2026/27 £000 Revised Budget	2027/28 £000 New Budget	2023/24 to 2027/28 £000 Revised Total
Asset Investment	4,203	7,890	10,190	5,490	4,990	32,763
Acquisition & Development	9,816	21,178	7,479	6,523	4,183	49,179
Total Capital Expenditure	**14,019**	**29,068**	**17,669**	**12,013**	**9,173**	**81,942**
Financed By:-						
Internal resources - capital receipt	2,227	5,344	2,244	3,024	2,948	15,787
Internal resources - Housing Revenue Account	3,070	10,278	2,967	1,795	1,235	19,345
Internal resources - reserves	7,606	9,890	10,498	5,290	4,790	38,074
Grants	1,116	3,556	1,960	1,904	200	8,736
Total Financing	**14,019**	**29,068**	**17,669**	**12,013**	**9,173**	**81,942**

2.1.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that the Council's housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.

2.1.6 Capital investments include loans and shares made for service purposes and property to be held primarily for financial return in line with the definition in the CIPFA Treasury Management Code.

2.2 Governance

2.2.1 The evaluation, prioritisation, and acceptance of capital schemes onto the Capital Programme is carried out in accordance with strict criteria that ensures that new schemes reflect Council priorities and can be delivered within available resources (e.g., due priority is given to schemes yielding savings and/or generating income as well as meeting a Council priority). Proposals are shaped by senior managers in consultation with councillors and considered at the Head of Service budget meetings (in October/November each year) which also includes the Strategic Director responsible for the service area, the Chief Finance Officer (CFO) and relevant members of the finance team. The Head of Housing budget meeting also considers the HRA capital programme.

2.2.2 The draft Capital Programme is then subjected to formal Scrutiny prior to setting the budget followed by Full Council approval.

2.3 Financing

2.3.1 All capital expenditure must be financed, either from external sources (Government grants and other contributions), the Council's own resources (revenue, reserves, and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is presented in Table 2 below.

Table 2: Capital Financing

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
External sources (Grants/Contributions)	24,136	54,454	48,838	90,016	2,371
Revenue Resources	20,132	28,149	16,959	11,359	10,473
Borrowing	16,485	23,059	36,799	26,635	1,105
Total	**60,753**	**105,662**	**102,596**	**128,010**	**13,949**

2.3.2 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as "Minimum Revenue Provision" (MRP).

Table 3: Replacement of prior years' Debt Finance

	2023/24 Actual £000's	2024/25 budget £000's	2025/26 budget £000's	2026/27 budget £000's	2027/28 budget £000's
Minimum Revenue Provision (MRP)	1,722	2,011	2,405	2,962	2,386

2.3.3 The Council's annual MRP statement can be found at Annex A below.

2.3.4 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP. The CFR is expected to increase by £77.83m between 2023/24 and 2027/28 which is due to capital projects being financed through borrowing. Based on the above figures for expenditure and financing, the Council's estimated CFR is presented in Table 4 below.

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement (CFR)

	2023/24 Actual £000's	2024/25 budget £000's	2025/26 budget £000's	2026/27 budget £000's	2027/28 budget £000's
General Fund services CFR	85,034	106,082	150,476	174,149	172,868
Council housing (HRA) CFR	59,440	59,440	49,440	49,440	49,440
TOTAL CFR	**144,474**	**165,522**	**199,916**	**223,589**	**222,308**

3) Asset Management

3.1 Asset Management Strategy

3.1.1 The Council recognises the importance of ensuring that capital assets continue to be of long-term use especially against a rapidly changing operational and technological backdrop. Enhancing the management of the Council's existing asset base and looking beyond the traditional medium-term financial planning horizon is a major priority. An updated Asset Management Strategy (AMS) was approved in July 2019, broken down into four key components:

- Administrative Improvements.
- Compliance and Sustainability.
- A strategic approach to assets; and
- Reducing expenditure and increasing income.

The AMS takes a longer-term view comprising:

- 'Good' information about existing assets.
- The optimal asset base for the efficient delivery of Council objectives.
- The gap between existing assets and optimal assets.
- Strategies for purchasing and constructing new assets, investment in existing assets, transferring of assets to other organisations and the disposal of surplus assets; and
- Plans for individual assets.

3.2 Asset Disposals

3.2.1 When a capital asset is no longer needed, it may be sold so that the proceeds - known as capital receipts - can be spent on new assets or to repay debt. Repayments of loans and investments also generate capital receipts. Table 5 below summarises the overall budget projections for capital receipts and loan repayments.

Table 5: Capital Receipts

	2023/24 Actual	**2024/25 budget**	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
General Fund Asset sales	-5,599	0	0	0	0
HRA Asset Sales	-1,860	-7,055	-1,543	-616	-675
TOTAL	**-7,459**	**-7,055**	**-1,543**	**-616**	**-675**
General Fund Loans repaid	160	1,200	160	160	160
HRA Loans repaid	0	960	0	10,000	0
TOTAL	**160**	**2,160**	**160**	**10,160**	**160**

3.2.2 The Council operates a deliberately prudent policy of not assuming future capital receipts within its General Fund capital income projections.

4) Treasury Management

4.1 Introduction

4.1.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

4.1.2 Due to decisions taken in the past, the Council currently (28th November 2023) has borrowing of £65.49m at an average interest rate of 4.44% and £123.89min treasury investments at an average consolidated rate of 4.88%.

4.2 Borrowing

4.2.1 The Council's main objective when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between short-term loans (currently available at around 5.69%) and long-term fixed rate loans where the future cost is likely to be higher than the current 5.49%.

4.2.2 Projected levels of the Council's total outstanding debt (which comprises borrowing, leases and transferred debt) are shown below in Table 6, compared with the Capital Financing Requirement (Table 4 above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2023/24 budget £000's	2024/25 budget £000's	2025/26 budget £000's	2026/27 budget £000's	2027/28 budget £000's
Debt (incl. leases)	88,158	108,688	144,912	161,387	162,332
Capital Financing Requirement	144,474	165,522	199,916	223,589	222,308

4.2.3 Statutory guidance is that debt should remain below the Capital Financing Requirement, except in the short-term. As can be seen from Table 6, the Council expects to comply with this in the medium term.

<u>*Liability Benchmark*</u>

4.2.4 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the minimum amount of borrowing required to keep investments at minimum liquidity level. This assumes that cash and investment balances are kept to a minimum level of £10 million at each year-end. The Liability Benchmark shows that based on the current capital plans there is no requirement to borrow in 2023/24, however based on the current budgets the Council will need to borrow in 2024/25 to 2027/28 due to the reduction in financial resources available.

Table 7: Borrowing and the Liability Benchmark

	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m
Loans CFR	148.78	192.82	228.75	310.52	305.41
Less: Balance sheet resources	-176.80	-176.80	-176.80	-181.70	-181.70
Net loans requirement	-28.02	16.02	51.95	128.82	123.71
Plus: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
Liability benchmark	**-18.02**	**26.02**	**61.95**	**138.82**	**133.71**

Affordable Borrowing Limit

4.2.6 The Council is legally obliged to set an affordable borrowing limit (also termed the "Authorised Limit" for external debt) each year. In line with statutory guidance, a lower "Operational Boundary" is also sets as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised Limit and Operational Boundary for External Debt

	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit	2027/28 limit
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Authorised limit – borrowing	168,380	168,380	168,380	168,380	168,380
Authorised limit – leases	6,620	6,620	6,620	6,620	6,620
Authorised limit – total external debt	175,000	175,000	175,000	175,000	175,000
Operational boundary – borrowing	166,380	166,380	166,380	166,380	166,380
Operational boundary – leases	6,620	6,620	6,620	6,620	6,620
Operational boundary – total external debt	173,000	173,000	173,000	173,000	173,000

4.2.7 Further details on borrowing are contained in the Treasury Management Strategy

4.3 Investments

4.3.1 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

(Treasury Management) Investment Strategy

4.3.2 The Council's Investment Strategy is to prioritise security and liquidity over yield; focussing on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with other local authorities or selected high-quality banks, to minimise the risk of loss.

4.3.3 Table 9 below summarises the Council's current and forecast treasury investments.

Table 9: Treasury Management Investments

	2023/24 current	2024/25 forecast	2025/26 forecast	2026/27 forecast	2027/28 forecast
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Near-term investments	115,000	100,000	100,000	100,000	100,000
Longer-term investments	20,000	20,000	20,000	20,000	20,000
TOTAL	**135,000**	**120,000**	**120,000**	**120,000**	**120,000**

4.4 Risk Management

4.4.1 The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

4.5 Governance

4.5.1 Treasury management decisions are made daily and are therefore delegated to the CFO, who must act in line with the Treasury Management Strategy approved by the Council. Annual outturn reports on treasury management are also approved by the Council (following recommendation from Audit and Governance Committee), whereas mid-year updates are reported exclusively to the Audit and Governance Committee.

5) Investments for Service Purposes

5.1 As published in the Councils Draft Statement of Accounts 2022/23 at 31st March 2023, the Council held net investments as follows:

- Suffolk Coastal Norse Limited - the Council has held a 20% equity share since April 2009. The Council's share of Net Assets / (Liabilities) at 31st March 2023 was £2,169,000; and
- Waveney Norse Limited – the Council has held a 19.9% equity share since April 2008. The Council's share of Net Assets / (Liabilities) at 31st March 2023 was £600,000.

Governance

5.1.1 Decisions on service investments are made by the Council's Cabinet and require the support of a full business case.

5.1.2 The Council exercised its right not to renew the contract with Norse for the provision of operational services, with the contract ceasing on the 30th June 2023.

5.1.3 East Suffolk Services, a Local Authority Trading Company (LATCo) operate as an 'arms-length' commercial business, separate to the Council, following the conclusion of the Norse contract. The Council has made a loan provision of £1.8m to East Suffolk Services and holds 100 shares at £1 each.

6) Other Liabilities

6.1.1 Outstanding Commitments

6.1.2 The Councils draft 2022/23 Statement of Accounts does include any outstanding commitments.

6.2 Guarantees

6.2.1 The Council became "self-financing" in respect of its retained housing stock (in the former Waveney district) from April 2012. The self-financing regime applied to all authorities and replaced the former housing subsidy system whereby the Council made annual subsidy payments to the Government funded from its HRA. Its introduction entailed a one-off redistribution of 'debt' between local authorities, and locally this resulted in the Council taking on PWLB loans, which it is required to service (instead of making housing subsidy payments).

6.2.2 A 30-year Business Plan for the Council's HRA was previously developed, which generated sufficient rental income each year to run an efficient and effective housing management service, whilst at the same time servicing the outstanding debt (which is scheduled for repayment in full by March 2042 i.e., within the 30-year period). However, if the HRA is unable to repay the outstanding debt at any point in the future, the Council (through its General Fund) is liable to repay any remaining balance. The remaining balance on HRA debt as at 31st March 2023 was £60.40 million. The HRA business plan is currently being re-refreshed to provide the most update position.

6.3 Governance

6.3.1 Decisions on incurring new discretionary liabilities are taken by Directors and Heads of Service in consultation with the CFO. For example, in accordance with the Financial Procedure Rules (Part 3 of the Constitution, Paragraph 2.1.25)**,** credit arrangements – such as leasing agreements – cannot be entered into without the prior approval of the CFO.

7) Revenue Implications

7.1 Financing Cost

7.1.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, Business Rates, and general Government grants.

Table 10: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream (General Fund)

	2023/24 budget	**2024/25 budget**	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Financing Costs (£m)	1,923	2,212	2,606	3,163	2,587
Proportion of Net Revenue Stream	5.10%	11.06%	10.09%	12.42%	11.24%

Table 11: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream (HRA)

	2023/24 budget	**2024/25 budget**	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Financing Costs (£m)	4,281	6,001	4,016	3,560	3,300
Proportion of Net Revenue Stream	14.78%	23.07%	14.57%	13.00%	12.30%

7.1.2 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for many (occasionally up to 50) years into the future.

7.2 "Prudence, Affordability and Sustainability"

7.2.1 The CFO is satisfied that the proposed Capital Programme (Section 2) is prudent, affordable, and sustainable based on the following:

<u>Prudence</u>

- Prudential indicators 10 and 11 presented above (Paragraph 8.1.1) are within expected and controllable parameters. Thus:
  - *Prudential Indicator 10 (General Fund) - Proportion of Financing Costs to Net Revenue Stream* – the growth in financing costs reflects the Council's ambitions for capital investment in its strategic priorities over the medium-term.
  - *Prudential Indicator 11 (HRA) - Proportion of Financing Costs to Net Revenue Stream* – the indicator profile mirrors the HRA 30-Year Business Plan, which is a fully-costed strategy that will see all outstanding debt repaid by 2042/43.
- *Underlying Prudent Assumptions* – a prudent set of assumptions have been used in formulating the Capital Programme. This is illustrated in the approach to capital receipts whereby the

proceeds are not assumed within projections until the associated sale is completed and the money received by the Council; and

- *Repairs and Maintenance* – the approach to asset maintenance is professionally guided with assets maintained in a condition commensurate with usage and expected life, addressing those items that could affect ongoing and future maintenance, in the most appropriate and cost-effective manner.

Affordability

- The estimated general fund 'revenue consequences' of the Capital Programme (£11.49 million over five years) have been included in the draft 2023/24 Budget and Medium-Term Financial Strategy (MTFS), extending to 2027/28; and
- The MTFS is underpinned by a Reserves Strategy, which includes contingency funds in the event that projections are not as expected (further supported by CFO report to Council under Section 25 of the Local Government Act 2003 on the robustness of estimates and the adequacy of financial reserves and balances).

Sustainability

- Capital schemes that are expected to deliver long-term revenue savings and regenerate the area are given due priority. For example, the Lowestoft Tidal Barrier (unlocking brownfield development sites and providing a boost to future income from Business Rates and Council Tax), the Towns Fund Project which will look to regenerate Lowestoft Town Centre and seek to attract external interest and investment in the Town.
- As explained in Section 3.1 above, the Asset Management Strategy represents an enhancement to the Council approach to asset planning through (especially) taking a longer-term view. This includes providing for future operational need, balancing the requirement to achieve optimal performance, whilst taking account of technological change and managing the risk of obsolescence.

8) Knowledge and Skills

8.1 Officers

8.1.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Most notably:

- *Finance* - the Chief Finance Officer (CFO) is a qualified (CIPFA) accountant with many years of experience. The Council sponsors junior staff to study for relevant professional qualifications including AAT, CIPFA and ACCA. The Council also pays for (and ensures attendance on) training courses and conferences across all aspects of accounting, including (especially) Treasury Management to keep professional client status under "MIFID II" (the "Markets in Financial Instruments Directive", incorporated into UK law in November 2017).
- *Property* –The Asset Management service comprises of, and performs the Estates Management, Building Services, Resorts, Capital Projects, and Development functions of the Council. Each function is headed by an appropriately qualified professional within their individual specialism (e.g., the Building Services team is led by a MRICS Building Surveyor). As with Finance, the Council is strongly committed to supporting both professional and wider staff development within its Asset Management function, with a number of staff on the pathway to becoming qualified RICS surveyors and with apprentice opportunities within the Asset Management team.

8.1.2 The Council also has a separate Housing team that is responsible for overseeing social housing developments within the district.

8.2 External Advisors

8.2.1 Where the Council does not have the relevant knowledge and skills required, judicious use is made of external advisers and consultants that are experts/specialists in their field. The Council currently employs Arlingclose Limited as Treasury Management advisers, and the Asset Management team will appoint property advisors (e.g., development managers, valuers etc.) to support their work where required. The approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with risk.

8.3 Councillors

8.3.1 Specifically with regard to Treasury Management, the Council acknowledges the importance of ensuring that members have appropriate capacity, skills, and information to effectively undertake their role. To this end, a training session was delivered on the 19th June 2023 by the Councils external Treasury Advisors, Arlingclose which all East Suffolk councillors were invited to.

9) CFO Statement on the Capital Strategy

9.1 Prudential Code

9.1.1 Paragraph 24 of the Prudential Code determines that….” the Chief Finance Officer should report explicitly on the affordability and risk associated with the Capital Strategy”.

9.1.2 Accordingly, it is the opinion of the CFO that the Capital Strategy as presented is affordable, and associated risks have been identified and are adequately managed.

9.2 Affordability

9.2.1 The Capital Strategy is affordable and there is a range of evidence to support this assertion, including:

- *Capital Programme* – the Programme as presented above (in Section 2.1) is supported by a robust and resilient MTFS extending through until 2027/28 that contains adequate revenue provision, including sufficient reserves in the event that plans and assumptions do not materialise as expected.
- *Asset Management* – as presented above (in Section 3.1) the Asset Management Strategy is taking a strategic longer-term (i.e., beyond 2054/26) view of the Council’s asset base. A fundamental aim of the Strategy is to achieve the optimum balance between future operational need and affordability, which is reflected in its component parts including strategies for purchasing and constructing new assets, investment in existing assets, transferring of assets to other organisations and the disposal of surplus assets; and

9.3 Risk

9.3.1 The risk associated with the Capital Strategy has been identified and is being adequately managed. Evidence to support this assertion includes:

- *Treasury Management Strategy* – the Council is in the process of formally approving its Treasury Management Strategy for 2024/25 in accordance with CIPFA’s “Treasury Management in the Public Services: Code of Practice 2017”. That Strategy was developed by the Council’s (professionally qualified and experienced) Finance team and informed by specialist advisors Arlingclose and other relevant and extant professional guidance.

- *Investment Strategy* – the Council is also formally approving an Investment Strategy for 2024/25 in accordance with MHCLG's "Statutory Guidance on Local Government Investments (3rd Edition) 2018". As with the Treasury Management Strategy, the Investment Strategy was developed by the Finance team and informed by specialist advisors Arlingclose and other relevant and extant professional guidance; and

9.3.2 In addition, the CFO is satisfied that there are no major omissions – in terms of financial liabilities – from the Capital Programme in the medium-term.

9.4 Capital Strategy Updates

9.4.1 The Capital Strategy is a 'living document' and will be periodically – usually annually – updated to reflect changing local circumstances and other significant developments.

Annual Minimum Revenue Provision Strategy

1. Where 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.
2. The broad aim of the Guidance is to ensure that debt is repaid 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 Guidance requires the Council to approve an Annual MRP Statement each year and recommends several 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. For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant Public Works Loan Board rate for the year of expenditure, starting in the year after the asset becomes operational. 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.
5. Capital expenditure incurred during 2024/25 will not be subject to a charge until 2025/26.

Agenda Item 4

ES/1766

AUDIT & GOVERNANCE COMMITTEE

Monday, 08 January 2024

Subject	Treasury Management Strategy Statement for 2024/25 & Treasury Management Investment Strategy for 2024/25
Cabinet Member	Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money
Report Author(s)	Julian Sturman Specialist Accountant – Capital & Treasury Management julian.sturman@eastsuffolk.gov.uk
Head of Service	Lorraine Rogers Chief Finance Officer and Section 151 Officer lorraine.rogers@eastsuffolk.gov.uk
Director	Chris Bally Chief Executive chris.bally@eastsuffolk.gov.uk

Is the report Open or Exempt?	OPEN

Category of Exempt Information and reason why it is **NOT** in the public interest to disclose the exempt information.	Not applicable
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:
This report sets out the Council's Treasury Management Strategy for 2024/25 and the Treasury Management Investment Strategy for 2024/25 and covers: • the current treasury position; • treasury indicators which limit the treasury risk and activities of the Council; • prospects for interest rates; • the borrowing strategy; and • the investment strategy
Options:
To comply with the CIPFA Treasury Management Code the report is required to be produced and presented to members, and consequently, no other options have been considered.

Recommendation/s:
That having reviewed and commented upon Treasury Management Strategy Statement and the Treasury Management Investment Strategy for 2024/25, the Committee recommends it to Full Council for approval.

Corporate Impact Assessment

Governance:
The report complies with the Charted Institute of Public Finance and Accountancy (CIPFA) Treasury Management code to provide information and scrutiny on the Councils Treasury Management function.
ESC policies and strategies that directly apply to the proposal:
East Suffolk Council Strategic Plan
Environmental:
No impacts.
Equalities and Diversity:
No impacts.
Financial:
Management of the Council's cash flows, banking and capital market transactions.
Human Resources:
No impacts.
ICT:
No impacts.
Legal:

No impacts.
Risk: Treasury Management in Local Government is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in the Public Services and in this context is the “management of the Council’s cash flows, its banking and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks”. This Council has adopted the Code and complies with its requirements.

External Consultees:	None

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: *(Select only one primary and as many secondary as appropriate)*		**Primary priority**	**Secondary priorities**
T01	**Growing our Economy**		
P01	Build the right environment for East Suffolk	☐	☐
P02	Attract and stimulate inward investment	☐	☐
P03	Maximise and grow the unique selling points of East Suffolk	☐	☐
P04	Business partnerships	☐	☐
P05	Support and deliver infrastructure	☐	☐
T02	**Enabling our Communities**		
P06	Community Partnerships	☐	☐
P07	Taking positive action on what matters most	☐	☐
P08	Maximising health, well-being, and safety in our District	☐	☐
P09	Community Pride	☐	☐
T03	**Maintaining Financial Sustainability**		
P10	Organisational design and streamlining services	☐	☐
P11	Making best use of and investing in our assets	☐	☒
P12	Being commercially astute	☐	☒
P13	Optimising our financial investments and grant opportunities	☐	☒
P14	Review service delivery with partners	☐	☐
T04	**Delivering Digital Transformation**		
P15	Digital by default	☐	☐
P16	Lean and efficient streamlined services	☐	☐
P17	Effective use of data	☐	☐
P18	Skills and training	☐	☐
P19	District-wide digital infrastructure	☐	☐
T05	**Caring for our Environment**		
P20	Lead by example	☐	☐
P21	Minimise waste, reuse materials, increase recycling	☐	☐
P22	Renewable energy	☐	☐
P23	Protection, education, and influence	☐	☐
XXX	**Governance**		
XXX	How ESC governs itself as an authority	☒	☐

How does this proposal support the priorities selected?
Production of the Treasury Management Strategy Statement for 2024/25 & Treasury Management Investment Strategy for 2024/25 is a requirement under the CIPFA Treasury Management Code demonstrating the Council's governance of its investment and loans portfolio.

Background and Justification for Recommendation

1	Background facts
1.1	Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. 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 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.

2	Current position
2.1	The Treasury Management Strategy for 2024/25 set out in **Appendix A** covers: Treasury management issues: • the current treasury position. • treasury indicators which limit the treasury risk and activities of the Council. • prospects for interest rates. • the borrowing strategy; and • the investment strategy.

3	How to address current situation
3.1	The report recommends that the Treasury Management Strategy for 2024/25 and the Treasury Management Investment Strategy for 2024/25 be reviewed and commented upon and recommended for approval.

4	Reason/s for recommendation
4.1	The CIPFA Treasury Management code requires the strategies to be produced and presented at Full Council prior to the start of the financial year.

Appendices

Appendices:	
Appendix A	Treasury Management Strategy Statement 2024/25
Appendix B	Treasury Management Investment Strategy 2024/25

Background reference papers:
None

Appendix A

Treasury Management Strategy Statement 2024/25

Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. 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 financial risk are therefore central to the Council's prudent financial management.

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.

Investments held for service purposes or for income are considered in the Investment Strategy.

External Context

Economic background: The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level in September and then again in November. Members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with near-term risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 6.7% in September 2023, unchanged from the previous month but above the 6.6% expected. Core CPI inflation fell to 6.1% from 6.2%, in line with predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling, declining to around 4% by the end of calendar 2023 but taking until early 2025 to reach the 2% target and then falling below target during the second half 2025 and into 2026.

Credit outlook: Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (November 2023): Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

Arlingclose expects long-term gilt yields to eventually fall from current levels (amid continued volatility) reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

With uncertainty on future Bank Rate a prudent approach has been assumed for setting the investment income budget. New treasury investments will be made at an average rate of 3.15%, and that new long-term loans will be borrowed at an average rate of 5.35%.

Local Context

At the end of November 2023, the Council held £65.49m of borrowing and £123.55m of investments and is set out in further detail at Appendix B. 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 investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

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 three years. The Council expects to comply with this recommendation during 2024/25 and in the subsequent years.

Borrowing Strategy

The Council currently holds £65.49m of loans, a decrease of £160k on the previous year which is due to the principal repayment on one of current loans. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

Objectives: The Council's chief 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.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The current strategy of internally borrowing the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs; ensure the delivery of the Capital Programme; and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans, where the interest rate is 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. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board).
- UK Infrastructure Bank Ltd
- any institution approved for investments (see below).
- any other bank or building society authorised to operate in the UK.
- any other UK public sector body.
- UK public and private sector pension funds (except local Pension Fund).
- capital market bond investors.
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues; and

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:

- leasing.
- hire purchase.
- Private Finance Initiative; and
- sale and leaseback.

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.

LOBOs: The Council does not hold any LOBO's (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.

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.

Debt rescheduling: The PWLB allows Council's to repay loans before maturity and either pay a premium or receive a discount 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.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts shown in the Capital Programme for borrowing, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself 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.

Prudential Indicator: Liability benchmark

	2023/24 Forecast £m	**2024/25 Forecast £m**	**2025/26 Forecast £m**	**2026/27 Forecast £m**	**2027/28 Forecast £m**
Loans CFR	148.03	192.07	228.00	309.77	304.66
Less: Balance sheet resources	-176.80	-176.80	-176.80	-181.70	-181.70
Net loans requirement	-28.77	15.27	51.20	128.07	122.96
Plus: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
Liability benchmark	**-18.77**	**25.27**	**61.20**	**138.07**	**132.96**

Treasury Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £97.89 million and £147.34 million.

Objectives: The CIPFA Code requires the Council 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 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. 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. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy: Given the increasing risk from short-term unsecured bank investments, the Council invest mainly in more secure and/or higher yielding asset classes and will continue to do so during 2024/25.

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.

The Councils current banking partners are signatories to both UN Principles for Responsible Banking and the Net Zero Asset Managers Alliance.

Banks	UN Principles for Responsible Banking	Net Zero Banking Alliance
UK Banks		
Barclays Group	✓	✓
Lloyds Banking Group (including Bank of Scotland	✓	✓

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.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in table 1 below, subject to the cash limits (per counterparty) and the time limits shown. These limits exclude any interest payments which will be paid to the Council periodically.

Table 1: Treasury 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	£25m	Unlimited
Secured investments *	25 years	£25 m	Unlimited
Banks (unsecured) *	13 months	£25 m	Unlimited
Building societies (unsecured) *	13 months	£15m	£15m
Registered providers (unsecured) *	5 years	£25m	£25m
Money market funds *	n/a	£20m	Unlimited
Strategic pooled funds	n/a	£20m	£50m
Real estate investment trusts	n/a	£10m	£25m
Other investments *	5 years	£5m	£10 m

*This table must be read in conjunction with the notes below.

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.

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 £20m per counterparty as part of a diversified pool e.g., via a peer-to-peer platform.

Government: Loans to, and 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.

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.

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.

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.

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.

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.

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.

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.

Banks 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.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they 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 to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, 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 a zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £50,000 per company as part of a diversified pool in order to spread the risk widely.

Registered providers (unsecured): Loans and bonds issued by, guaranteed by, or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly 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.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity, and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council 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 Council's investment objectives will be monitored regularly.

Real estate investment trusts (REIT): 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. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

Operational bank accounts: The Council may incur operational exposures, for example though 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 £20m 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 Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council'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:

- 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 all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") 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.

Other information on the security of investments: The Council 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 Council'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.

Reputational aspects: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council 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 Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment return to fall but will protect the principal sum invested.

Local Authorities Section 114 Notices

Local authorities are required by law to have a balanced budget, whilst this is not defined anywhere in law it would likely involve delivering a financial plan where expenditure will equal income over the short- and medium-term.

Within the Local Government Finance Act 1988, Section 114 (3) states that: "The chief finance officer of a relevant authority shall make a report under this section if it appears that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure".

In the event of a Section 114 notice being issued the Council (namely its Members) has 21 days to consider a response. The 114 notice prohibits all new expenditure, except for that relating to the safeguarding of vulnerable people and the provision of statutory services. So effectively during the three-week period spending and other financial activity is suspended placing the organisation in a period of financial uncertainty.

Whatever action is taken it is hoped that the Authority will be able to agree on a spending and savings programme, and that a balanced budget can be put forward. If it still cannot make the budget balance then the authority will be required to call in its external auditors, who must try again to find a way to set viable budget. At this point, central government will get more heavily involved.

Investment limits: In order that investment balances are not put at too higher risk the maximum that will be lent to any one organisation (other than the UK Government) will be £25 million. A group of entities 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.

Table 2: Additional Investment limits

	Cash limit
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£4m per country

Liquidity management: The Council uses purpose-built cash flow forecasting software 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.

The Council will spread its liquid cash over at least two 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.

Treasury Management Indicators

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

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. The lower the score the lower the risk is.

	2023/24 Q2	Target
Portfolio average credit score	4.8	4

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.

	Target
Total cash available within 3 months	£30.00m

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:

	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£150,000
Upper limit on one-year revenue impact of a 1% fall in interest rate	£150,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

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 fixed rate borrowing will be:

	Upper	**Lower**
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	75%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	75%	0%
20 years and above	100%	0%

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.

Principal sums invested for periods longer than one year: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2023/24	2024/25	2025/26	2026/27	2027/28
Limit on principal invested beyond year end	£25.0m	£25.0m	£25.0m	£25.0m	£25.0m

Operational Boundary for External Debt: 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 lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	2023/2024Limit £m	2024/2025Limit £m	2025/256 Limit £m	2026/27 Limit £m	2027/28 Limit £m
Borrowing	173.00	173.00	173.00	173.00	173.00
Total Debt	173.00	173.00	173.00	173.00	173.00

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2023/2024Limit £m	2024/2025Limit £m	2025/26 Limit £m	2026/27 Limit £m	2027/28 Limit £m
Borrowing	175.00	175.00	175.00	175.00	175.00
Total Debt	175.00	175.00	175.00	175.00	175.00

Related Matters

The CIPFA Code requires the Council to include the following in its treasury management strategy.

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).

The Council 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 Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered 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.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating derivative exposures. An allowance for credit risk calculated using the methodology on Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account: On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, 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 treasury investments excluding strategic pooled funds adjusted for credit risk if a net investment balance and at the Authority's average rate of borrowing if a net borrowing balance.

Markets in Financial Instruments Directive (MiFiD): The Council has opted up to professional client with its providers of financial services, including advisers, banks, brokers, and fund managers, allowing it access to a greater range of services but with the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Finance Officer believes this to be the most appropriate status.

Financial Implications

The budget for investment income in 2024/25 is £3.15 million, based on an average investment portfolio of £100 million at an average interest rate of 3.15%. The budget for debt interest paid in 2024/25 is £2.39 million, based on an average debt portfolio of £65.49 million at an average interest rate of 3.25%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

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 50% of the 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.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Finance Officer, having consulted the Cabinet Member for Resources, 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

Annex A – Arlingclose Economic & Interest Rate Forecast November 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but, following a no-change MPC decision in November, Bank Rate appears to have peaked in this rate cycle. Near-term rate cuts are unlikely, although downside risks will increase as the UK economy likely slides into recession and inflation falls more quickly.
- The much-repeated message from the MPC is that monetary policy will remain tight as inflation is expected to moderate to target slowly. In the Bank's forecast, wage and services inflation, in particular, will keep CPI above the 2% target until 2026.
- The UK economy has so far been relatively resilient, but recent data indicates a further deceleration in business and household activity growth as higher interest rates start to bite. Global demand will remain soft, offering little assistance in offsetting weakening domestic demand. A recession remains a likely outcome.
- Employment demand is easing, although the tight labour market has resulted in higher nominal wage growth. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household spending will therefore be weak. Higher interest rates will also weigh on business investment and spending.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects have diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant policy loosening in the future to boost activity.
- Global bond yields will remain volatile, particularly with the focus on US economic data and its monetary and fiscal policy. Like the BoE, the Federal Reserve and other central banks see persistently high policy rates through 2023 and 2024 as key to dampening domestic inflationary pressure. Bond markets will need to absorb significant new supply, particularly from the US government.
- There is a heightened risk of geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in November. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early mid 2026.
- The immediate risks around Bank Rate remain on the upside, but these diminish over the next few quarters and shift to the downside before balancing out, due to the weakening UK economy and dampening effects on inflation.

- Arlingclose expects long-term gilt yields to eventually fall from current levels (amid continued volatility) reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	**5.25**	**5.25**	**5.25**	**5.25**	**5.00**	**4.75**	**4.25**	**4.00**	**3.75**	**3.50**	**3.25**	**3.00**	**3.00**
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	**5.40**	**5.40**	**5.40**	**5.30**	**5.15**	**4.80**	**4.30**	**4.10**	**3.80**	**3.50**	**3.25**	**3.05**	**3.05**
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	**4.28**	**4.35**	**4.30**	**4.25**	**4.10**	**4.00**	**3.75**	**3.50**	**3.40**	**3.30**	**3.30**	**3.30**	**3.35**
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	**4.32**	**4.40**	**4.35**	**4.30**	**4.25**	**4.15**	**4.00**	**3.80**	**3.75**	**3.65**	**3.60**	**3.65**	**3.70**
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	**4.78**	**4.70**	**4.65**	**4.55**	**4.45**	**4.35**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	**4.38**	**4.30**	**4.25**	**4.20**	**4.15**	**4.15**	**4.10**	**4.10**	**4.10**	**4.10**	**4.10**	**4.10**	**4.10**
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%

UK Infrastructure Bank Rate = Gilt yield + 0.40%

Annex B – Existing Investment & Debt Portfolio Position

	Nov-23 Actual Portfolio £m
External borrowing:	
Public Works Loan Board	**65.49**
Local authorities	**0**
Other loans	**0**
Total external borrowing	**65.49**
Other long-term liabilities:	
Leases	5.48
Total other long-term liabilities	
Total gross external debt	**70.97**
Treasury investments:	
The UK Government	**15.00**
Local Authorities	**56.00**
Other Government entities	
Secured investments	
Banks (unsecured)	**23.00**
Building societies (unsecured)	
Registered providers (unsecured)	
Money Market Funds	**10.00**
Strategic Pooled Funds	**18.09**
Real Estate investment trusts	
Other investments	**1.8**
Total treasury investments	**123.89**
Net debt	**-52.92**

Annex C – Summary of Existing Debt & Investment Portfolio Position as at November 2023

Debt Portfolio:

Type of Loan	Start Date	Maturity	Principal	Interest Rate	GF/HRA
Maturity Loans					
Fixed	30/11/1995	30/09/2024	2,000,000	8.375%	GF/HRA
Fixed	10/08/2007	31/03/2055	3,000,000	4.550%	GF/HRA
Fixed	28/03/2012	28/03/2039	10,000,000	3.470%	HRA
Fixed	28/03/2012	28/03/2036	10,000,000	3.420%	HRA
Fixed	28/03/2012	28/03/2027	10,000,000	3.010%	HRA
Fixed	28/03/2012	28/03/2041	10,000,000	3.490%	HRA
Fixed	28/03/2012	28/03/2032	10,000,000	3.300%	HRA
Fixed	28/03/2012	28/03/2042	8,000,000	3.500%	HRA
Equal Instalments of Principle (EIP)					
Fixed	15/05/2015	15/11/2035	2,480,000	3.69%	GF
Annuity					
Fixed	10/09/1968	26/08/2028	5,445.96	7.62%	GF/HRA
		Total	**65,485,446**		

Investment Portfolio:

Counterparty	Type of investment	Principal Balance	Duration	Start Date	Effective Maturity	Interest Rate
Bank 1 (Lloyds)	Instant Access	18,000,000	Overnight	N/A	N/A	2.10%
Bank 2 (Barclays)	Instant Access	5,000,000	Overnight	N/A	N/A	3.50%
		23,000,000				
DMO (Central Government)	Fixed Term	5,000,000	123 days	17/08/2023	18/12/2023	5.41%
DMO (Central Government)	Fixed Term	5,000,000	91 days	06/09/2023	06/12/2023	5.35%
DMO (Central Government)	Fixed Term	5,000,000	30 days	01/11/2023	01/12/2023	5.18%
		15,000,000				
Eastleigh Borough Council	Fixed Term	3,000,000	9 months	16/05/2023	16/02/2024	4.60%
Cheshire East Council	Fixed Term	5,000,000	6 months	28/06/2023	04/01/2024	4.48%
North Lanarkshire Council	Fixed Term	5,000,000	8 months	20/07/2023	20/03/2024	4.60%
London Borough of Newham	Fixed Term	5,000,000	6 months	17/08/2023	19/02/2024	4.50%
Stockport Metropolitan Borough Cou	Fixed Term	5,000,000	6 months	28/07/2023	29/01/2024	5.35%
London Borough of Newham	Fixed Term	5,000,000	9 months	31/07/2023	30/04/2024	5.60%
Ashford Borough Council	Fixed Term	5,000,000	7 months	27/09/2023	29/04/2024	5.55%
Southampton City Council	Fixed Term	5,000,000	8 months	01/09/2023	09/05/2024	5.80%
Uttlesford District Council	Fixed Term	5,000,000	298 days	21/09/2023	15/07/2024	5.80%
Plymouth City Council	Fixed Term	5,000,000	9 months	10/11/2023	12/08/2024	5.55%
Uttlesford District Council	Fixed Term	4,000,000	8 months	13/11/2023	15/07/2024	5.60%
Epping Forest District Council	Fixed Term	2,000,000	78 days	15/11/2023	01/02/2024	5.50%
Epping Forest District Council	Fixed Term	2,000,000	3 months	15/11/2023	16/02/2024	5.50%
		56,000,000				
Money Market Fund (MMF) - (CCLA)	Instant Access	10,000,000	Overnight	N/A	N/A	5.25%
		10,000,000				
Pooled Property Fund 1 (CCLA)	Notice - Long Term	9,035,486	N/A	29/11/2017	N/A	3.91%
Pooled DIF 1 (CCLA)	Notice - Long Term	4,551,806	N/A	25/11/2019	N/A	3.91%
Pooled DIF 2 (NinetyOne)	Notice - Long Term	4,502,353	N/A	17/10/2019	N/A	2.60%
		18,089,645				
East Suffolk Services Ltd	Notice - Long Term	1,800,000	10 Years	02/03/2023	02/03/2033	7.35%
		1,800,000				
	Total	**123,889,645**				

Appendix B

Investment Strategy Report 2024/25

Introduction

The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to regenerate and provide service delivery in the locality.

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

Treasury Management Investments

The Council typically receives its income in cash (e.g., from taxes and grants) before it pays for its expenditure in cash (e.g., through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and Central Government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £90 million and £130 million during the 2024/25 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: Full details of the Council's policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows.

Category of borrower	31.3.2023 actual			2023/24	2024/25
	Balance owing £000	**Loss allowance £000**	**Net figure in accounts £000**	**Approved Limit £000**	**Approved Limit £000**
Subsidiaries	1,800	0	1,800	5,000	5,000
Suppliers	0	0	0	0	0
Local businesses	0	0	0	0	0
Local charities & Community Groups	0	0	0	0	0
Parish Councils	0	0	0	0	0
Housing associations	0	0	0	5,000	5,000
Residents	0	0	0	0	0
Employees	0	0	0	0	0
TOTAL	1,800	0	1,800	10,000	10,000

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Councils statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding service loans by presenting a full business detailing.

- Market assessment – evidencing an independent assessment of the market that the Council is/will be competing in, the nature and level of competition, how the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
- External Advisor Assessment – All service loans will be subject to assessment by the Council's External Treasury Advisor and a report will be included within the business case.
- Any external advice will be presented to the Audit & Governance Committee, Cabinet, and Council Committees as appropriate.
- Credit Ratings may be used to assess the risk appetite and will be subject to regular monthly review.
- Audit & Governance Committee and Cabinet approval will be required alongside CFO approval to provide future loans.

Annual Reporting:

- Reporting – As a minimum Service department will provide an annual report to the Audit & Governance Committee which will include an update on the investment, and an independent external review if appropriate.

Service Investments: Shares

Contribution: The Council may invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Category of company	31.3.2023 actual			2023/24	2024/25
	Amounts invested £000	Gains or losses £000	Approved Limit £000	Approved Limit £000	Approved Limit £000
Subsidiaries	0	0	5,000	5,000	5,000
Suppliers	0	0	0	0	0
Local businesses	0	0	0	0	0
TOTAL	**0**	**0**	**5,000**	**5,000**	**5,000**

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding shares by presenting a full business detailing.

- Market assessment – evidencing an independent assessment of the market that the Council is/will be competing in, the nature and level of competition, how the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
- External Advisor Assessment – All service loans will be subject to assessment by the Council's External Treasury Advisor and a report will be included within the business case.
- Any external advice will be presented to the Audit & Governance Committee, Cabinet, and Council Committees as appropriate.
- Credit Ratings may be used to assess the risk appetite and will be subject to regular monthly review.
- Audit & Governance Committee and Cabinet approval will be required alongside CFO approval for future purchase of service investment shares.

Annual reporting:

- Reporting – As a minimum Service department will provide an annual report to the Audit & Governance Committee which will include an update on the investment, and an independent external review if appropriate.

Liquidity: The maximum period for which funds may be prudently committed is for 5 years, after which subject to satisfactory review this may be renewed annually for a 1-year period.

Non-specified Investments: Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Councils upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Regeneration/Service Investments: Property

Contribution: The Council invests in local property to facilitate regeneration and provide service delivery. The income from these investments will repay any borrowing used in the purchase and to provide a maintenance budget without putting further pressure on the Councils finances.

Table 1: Property held for investment purposes in £ millions.

Property	Actual	31.3.2023 Actual	
	Purchase cost £000	**Gains or (losses) £000**	**Value in accounts £000**
Investment Property – shop Lowestoft – Unit1	166	-6	160
Investment Property – shop Lowestoft	1,433	-1,148	285
Investment Property – shop Lowestoft	2,358	-1,543	815
Investment Property - Business Park Beccles	2,355	232	2,587
Investment Property - Business Centre Lowestoft	965	35	1,000
TOTAL	**7,277**	**-2,430**	**4,847**

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

The fair value of the Council’s investment property portfolio is no longer sufficient to provide security against loss. However, the Council fully expects the fair value to increase following significant works to the adjoining car park, with the fair value expected to increase to that nearing the original purchase price.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding property investments by assessing the viability of the cost of financing the investment against the return on investment in terms of receivable income. Investments that are subject to short leases are unlikely to be considered due to the high risk of potential voids.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed; the Council ensures that borrowing is on an equal instalment basis and that revenue budgets cover the cost of the loan repayment.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.

The Council does not have any current financial guarantees and all loans are through the Public Works Loan Board (PWLB).

Capacity, Skills, and Culture

Elected members and statutory officers: It is important that the members and officers involved in the Treasury Management function have appropriate capacity, skills, and information to enable them to take informed decisions on specific investments, to assess the risk and strategic objectives and to ensure that the Council's risk exposure is managed. Periodically the Council's external Treasury advisors, Arlingclose will hold member training sessions which will provide members with a raft of technical advice specifically designed for the Council's environment. Additionally, Officers have a wide range of information available to them from various sources such as the Charted Institute of Public Finance and Accountancy (CIPFA), Arlingclose and Room 151. Officers will also attend a number of courses/seminars throughout the year and have periodical strategic meetings with the Council's treasury advisors.

Property Investment deals: Officers negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local Authorities operate and have access to a number of external bodies who can provide specific advice and direction.

Corporate governance: All of the Council's procedures provide a corporate governance arrangement that ensure accountability and for decision making on investment activities and ensure that the Council's Chief Finance Officer/Section 151 Officer is fully briefed on the Council's investment position at any one time.

Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 2: Total investment exposure in £millions

Total investment exposure	31.03.2023 Actual £000	2023/24 Forecast £000	2024/25 Forecast £000
Treasury management investments	112.89	100.00	100.00
TOTAL INVESTMENTS	**112.89**	**100.00**	**100.00**
Guarantees issued on loans	65.65	65.49	63.33
TOTAL EXPOSURE	**-47.56**	**-34.51**	**-36.67**

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 3: Investments funded by borrowing in £millions.

Investments funded by borrowing	31.03.2023 Actual £000	31.03.2024 Forecast £000	31.03.2025 Forecast £000
Property Investments	2.64	2.48	2.32

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 4: Investment rate of return (net of all costs)

Investments net rate of return	2023/24 Forecast	2024/2025 Forecast	2025/2026 Forecast
Short & Long Term Treasury Management investments	5.15%	3.85%	3.85%
Long Term Treasury Management property investments	3.51%	2.50%	2.50%
Long Term Treasury Management multi asset investments	4.09%	3.10%	3.10%
Average	***4.25%***	***3.15%***	***3.15%***
Total	**12.75%**	**9.45%**	**9.45%**
Property Asset Investments	5.68%	5.00%	5.00%
Total	**5.68%**	**5.00%**	**5.00%**

Agenda Item 5

ES/1763

AUDIT & GOVERNANCE COMMITTEE

Monday, 08 January 2024

Subject	Anti-Fraud and Corruption Strategy 2023
Cabinet Member	Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money Councillor Tim Wilson Assistant Cabinet Member for Resources and Value for Money
Report Author and Head of Service	Siobhan Martin Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk 01394 444254
Chief Executive	Chris Bally Chief Executive chris.bally@eastsuffolk.gov.uk 01502 523210

Is the report Open or Exempt?	OPEN

Category of Exempt Information and reason why it is **NOT** in the public interest to disclose the exempt information.	Not Applicable.
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:
To provide a strategic overview to the Audit and Governance Committee of the updated Anti-Fraud and Corruption Strategy 2023 and to acknowledge the procedures to be undertaken by the Corporate Fraud Service. To ensure Members are aware of the Strategy etc.
Options:
No alternative options are presented in relation to this Strategy

Recommendation/s:
That Audit and Governance Committee comments upon and endorses the updated Anti-Fraud and Corruption Strategy 2023.

Corporate Impact Assessment

Governance:
This updated Anti-Fraud and Corruption Strategy supports the Council's governance framework by setting out the principles of how the Corporate Fraud Service intends to manage and respond to fraud risk in coming financial years.
ESC Fraud policies and strategies that directly apply to the proposal:
This report has links to the Council's: • Anti Bribery Policy • Corporate Fraud Policy and response Plan • Code of Corporate Governance • Whistleblowing Policy
Environmental:
This report does not include direct links to the Council's strategic environmental aims.
Equalities and Diversity:
This report does not require the completion of an Equalities Impact Assessment.
Financial:
This report has some potential financial implications due to any irregular activity within the Council and/or partnerships that may have financial implications etc.
Human Resources:
Currently this report does not have any direct staffing implications.
ICT:
This report does not have any direct ICT (Information Communications Technician) implications.
Legal:

The Corporate Fraud Service adheres to several statutory powers including but not limited to primary legislation: • Bribery Act 2010 • Fraud Act 2006 • Prevention of Social Housing Fraud Act 2013 • Proceeds of Crime Act 2002 • Theft Act 1968 /78
Risk: This Anti-Fraud and Corruption Strategy sets out how the Corporate Fraud Service intends to manage the risk of fraud and other irregularities within the council and/or its partnerships.

External Consultees:	No external parties were consulted in the preparation of this report.

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: *(Select only one primary and as many secondary as appropriate)*		**Primary priority**	**Secondary priorities**
T01	**Growing our Economy**		
P01	Build the right environment for East Suffolk	☐	☐
P02	Attract and stimulate inward investment	☐	☐
P03	Maximise and grow the unique selling points of East Suffolk	☐	☐
P04	Business partnerships	☐	☐
P05	Support and deliver infrastructure	☐	☐
T02	**Enabling our Communities**		
P06	Community Partnerships	☐	☐
P07	Taking positive action on what matters most	☐	☐
P08	Maximising health, well-being and safety in our District	☐	☐
P09	Community Pride	☐	☐
T03	**Maintaining Financial Sustainability**		
P10	Organisational design and streamlining services	☐	☐
P11	Making best use of and investing in our assets	☐	☐
P12	Being commercially astute	☐	☐
P13	Optimising our financial investments and grant opportunities	☐	☐
P14	Review service delivery with partners	☐	☐
T04	**Delivering Digital Transformation**		
P15	Digital by default	☐	☐
P16	Lean and efficient streamlined services	☐	☐
P17	Effective use of data	☐	☐
P18	Skills and training	☐	☐
P19	District-wide digital infrastructure	☐	☐
T05	**Caring for our Environment**		

P20	Lead by example	☐	☐
P21	Minimise waste, reuse materials, increase recycling	☐	☐
P22	Renewable energy	☐	☐
P23	Protection, education and influence	☐	☐
XXX	**Governance**		
XXX	How ESC governs itself as an authority	☒	☐
How does this proposal support the priorities selected?			
The updated Council's Anti-Fraud and Corruption Strategy is the Council's procedures alongside the Bribery Act Policy. Nationally it is a key element in any Council's governance framework, designed to reduce the risk of fraud, corruption, and abuse in the delivery of local services.			

Background and Justification for Recommendation

1	Background facts
1.1	The Council maintains a zero-tolerance approach towards fraud and corruption, and the existence of a professional Corporate Fraud Service demonstrates the Council's commitment to this objective.
1.2	This revised Anti-Fraud and Corruption Strategy sets out the Council's position on fraud issues aligned to the Bribery Act Policy that affect the services of the Council and member of the public. This Strategy is a natural extension of seeking to provide the best possible service to the public. Regardless of the law, the Councils position is, and always has been, that we have a zero tolerance to anyone committing fraud.
1.3	In addition, the Fighting Fraud and Corruption Locally 2020 is the current national strategy for council leaders, chief executives, finance directors, and all those charged with governance in local authorities to use in defending against fraud in local government. This Strategy is in addition to the CIPFA (Chartered Institute of Public Finance and Accountancy), Code of Practice on managing the Risk of Fraud and Corruption.
1.4	The Corporate Fraud Plan is produced annually to support delivery of the aims set out in the overarching Anti-Fraud and Corruption Strategy. The Corporate Fraud Plan is also a direct response to meeting national strategy, guidance, and achieving the Council's Strategic Plan objectives. It is a key contributor to enabling the Government's austerity measures in reducing public expenditure by reducing fraud. It also defines the Council's proactive and reactive anti-fraud work.
1.5	At East Suffolk Council the Corporate Fraud Team involved in the procedures within the Anti-Fraud and Corruption Strategy is managed by the Head of Internal Audit Services.

2	Current position
2.1	A key responsibility within the Audit and Governance Committee's terms of reference is to 'Monitor the counter-fraud strategy, activity and resources'.

2.2	The Corporate Fraud Service will continue to focus activities as directed by the Head of Internal Audit, who also leads this service area at Ipswich Borough Council.
2.3	Further development and enhancement in the field of pro-active corporate fraud activity including promotion of the anti-fraud policies, Whistleblowing, Bribery, Corruption Policies etc. This will be based upon the ever-changing increased fraud risk assessments of various Council sections as an ongoing matter.

3	How to address current situation
3.1	The Council has an obligation to protect public funds. The refreshed Anti-Fraud and Corruption Strategy sets out how East Suffolk Council will act to prevent and respond to fraud or improper or unlawful activities.

4	Reason/s for recommendation
4.1	To fulfil the Audit and Governance Committee's responsibility to monitor the counter-fraud strategy.

Appendices

Appendices:	
Appendix A	Anti Fraud and Corruption Strategy

Background reference papers:
None

East Suffolk Council

Anti-Fraud and Corruption Strategy

Policy owner: Siobhan Martin, Head of Internal Audit Services
Issue date: December 2023
Review date: December 2025

1.0 Introduction

1.1 East Suffolk Council has a duty to safeguard public funds and is committed to the highest standards of openness and accountability to ensure that controls are in operation to mitigate, prevent, detect, and take action against fraudulent activity. The minimisation of losses to fraud and corruption is essential to ensure public resources are used for their intended purposes of providing services to its residents. This document sets out the Council's policy in relation to fraud and corruption and protection of public funds and assets.

1.2 All Councillors and Officers are committed to a zero-tolerance approach towards fraud and corruption in the administration of responsibilities, whether inside or outside the Council.

1.3 East Suffolk Council will not tolerate fraud or corruption by its Councillors, employees (including contract staff, suppliers, contractors, or service users) and will take appropriate steps to investigate all allegations of fraud and corruption to a satisfactory conclusion, which may include sanctions or prosecution.

1.4 This Anti-Fraud and Corruption Strategy should be applied in conjunction with other Council policies and procedures, including amongst others:

- Codes of Conduct (Councillors and Employees);
- Whistleblowing Policy;
- Anti-Money Laundering Policy;
- Anti-Bribery Policy and Procedure;
- Covert Investigation Policy;
- Contract Procedure Rules;
- Financial Procedure Rules; and
- Sanctions and Prosecutions Policy.

2.0 Scope

2.1 This Strategy applies to:

- all Council employees (including agency staff) and Councillors;
- contractors;
- consultants; and
- suppliers.

3.0 Aims & Objectives

3.1 The aim of this Strategy is to further embed the management of fraud and risk and protect Council resources. This will be achieved by:

- raising awareness of the importance of tackling fraud;
- acknowledging and understanding fraud risks;
- support the effective management of fraud risk;
- support proactive counter fraud activities across the Council;
- minimise the likelihood and extent of losses through fraud;
- pursue action against those who commit fraud against the Council;
- working in partnership with other agencies.

4.0 Definitions

4.1 **Fraud**

Fraud is defined by The Fraud Act 2006, Sections 1, 2, 3 or 4:

A person is guilty of fraud if he is in breach of any sections 1-4, different ways of committing the offence. A dishonest action by false representation, by failing to disclose information, by abuse of position and designed to facilitate gain (personally or for another) at the expense of the Council, the residents of the Council or the wider community.

The definition covers various offences including deception, forgery, theft, misappropriation, collusion, and misrepresentation.

The potential maximum penalty is imprisonment for a term of up to ten years.

4.2 **Corruption**

Corruption is the offering or acceptance of inducements designed to influence official action or decision making. Corruption covers the inducement or reward of cash, holidays, event tickets, meals, etc. which may influence the action of any person to act inappropriately.

4.3 **The Bribery Act 2010**

The following are considered an offence:

Offering a bribe;
Being bribed; and
A corporate offence of failure to prevent bribery.

An organisation must have "adequate procedures" in place to prevent bribery.

4.4 **The Theft Act 1968**

Theft is defined as the taking without consent and the intention of not returning any property belonging to the Council or which has been entrusted to it, including cash, equipment, vehicles, data etc. Theft does not necessarily require fraud to have been committed. Theft can also include the taking of property belonging to staff/Councillors whilst on Council property.

4.5 **What is Financial Malpractice / irregularity?**

This term is used to describe any actions that represent a deliberate serious breach of accounting principles, financial regulations, or any of the Council's financial governance arrangement. They do not have to result in personal gain.

5.0 Approach

5.1 This Strategy is based upon the recommended approach set out within CIPFA's "Fighting Fraud and Corruption Locally – A Strategy for the 2020s":

*Image from FFCL – A strategy for the 2020s

5.2 **Govern**

East Suffolk Council demonstrates a commitment to anti-fraud through the adoption of policies referred to at 1.4 above, and by resourcing a professional, highly skilled Corporate Fraud Team.

5.3 **Acknowledge**

East Suffolk Council accepts that local authorities face a significant challenge against fraud and must take steps to respond. In doing so, we will undertake an assessment of our fraud and corruption risks and review regularly to identify emerging risks.

In acknowledging such risks, the Council operates a Corporate Fraud Team working closely with other Service Areas and is resourced by:

- Head of Internal Audit – (Senior Authorising Officer accredited by the National Crime Agency);
- Corporate Fraud Manager – Accredited Counter Fraud Manager.
- Audit Manager – Accredited Counter Fraud Specialist.
- Financial Intelligence / Investigator (accredited by the National Crime Agency and in the future be able to utilise the Proceeds of Crime Act 2002 to recover money lost through fraud).
- Corporate Fraud Investigators (1 ½ full time equivalent);
- Intelligence Officer (part-time).

5.4 **Prevent**

East Suffolk Council endeavours to ensure robust controls are in place to prevent fraudsters from accessing services and employment.

The Corporate Fraud Team forms part of Internal Audit & Corporate Fraud Services and therefore works very closely with Internal Audit. Particularly, fraud risk is considered during the planning stage of each Internal Audit review and discussed with a Corporate Fraud Manager/Investigator. Compliance with Public Sector Internal Audit Standard 1210.A2 requires "Internal Auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation……"

During the normal course of business, we will collaborate with external agencies and enforcement partners to understand and mitigate the risks of organised and serious frauds, and where legally possible adhering to the DPA/GDPR regulations share data to help prevent future fraud. We will use technology and data matching to prevent fraud at the application stage and prevent fraudsters from gaining access to our services.

We will actively publicise proactive initiatives and successes.

5.5 **Pursue**

East Suffolk Council has invested in resources to ensure that staff within the Corporate Fraud Team has the skills and training to tackle fraud and corruption. The skill set of the team will remain relevant and up to date.

All referrals are logged, and risk assessed when received. Cases accepted for investigation will have a case file set up on the Fraud Management System and an Investigator allocated.

All fraudulent activity is unacceptable and will result in consideration of appropriate sanctions including the possibility of legal action being taken against the individual(s) concerned. We will pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing. (See the separate Sanctions and Prosecution Policy).

5.6 **Protect**

The Council adopts procedures that enforce the management of fraud risk throughout activities, specifically by:

- ensuring effective governance arrangements;
- acknowledging the risk of fraud;
- ensuring a robust control environment is in place and promoting fraud awareness;
- taking action where fraud is suspected and identified.

Collectively, these activities will promote the best use of Council resources and protect the Council and its' residents.

6.0 Roles & Responsibilities

6.1 East Suffolk Council is committed to preventing fraud and corruption and has policies and procedures which if adhered to will prevent fraud. This sends a clear message that fraud committed against East Suffolk Council will not be tolerated, and where reported will be investigated professionally and dealt with in accordance with the sanction and prosecution policy.

6.2 The Seven Principles of Public Life (also known as the Nolan Principles) apply to anyone who works as a public officeholder are the seven principles of public life which are:

- selflessness – You must act solely in terms of the public interest and not in order to gain financial or other material benefits for yourself, family or friends.
- integrity – You should not place yourself under any financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.
- objectivity – You must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- accountability – You are accountable to the public for your decisions and actions, and you must submit yourself to whatever scrutiny is appropriate.
- openness – You should be as open as possible about all the decisions and actions that you take. You should give reasons for your decisions and restrict information only when the wider public interest clearly demands.

- honesty – You have a duty to declare any private interests relating to your work and you need to take steps to resolve any conflicts arising in a way that protects the public interest.
- leadership – You should promote and support these principles by leadership and example.

6.3 The following table sets out roles and responsibilities:

Stakeholder	Responsibilities
Audit & Governance Committee	• Manage the Council's exposure to risk having regard to its control environment including potential exposure to fraud and corruption. • Consider the Council's anti-fraud and corruption arrangements.
Councillors	• To comply with the Members Code of Conduct and maintain an awareness of the possibility of fraud and corruption and report any genuine concerns accordingly.
Corporate Leadership Team	• Establish an anti-fraud culture in their service area(s). • Ensure staff are aware of and promotion of all relevant policies and procedures relating to anti-fraud and corruption. • Adopt and maintain a robust control environment, ensuring agreed internal audit actions are implemented in a timely manner.
Monitoring Officer	• To contribute to the promotion and maintenance of high standards of conduct.
S151 Officer	• Statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.
Corporate Fraud Team	• To deliver a quality corporate fraud service and contribute in activity to prevent, detect, deter and investigate fraud.
Internal Audit	• Develop a risk-based plan of work giving due consideration to fraud risk. • Evaluate the potential for the occurrence of fraud within areas subject to audit and how the organisation manages fraud risk.
Employees (including temporary and agency staff)	• To comply with Council policies and procedures, and to maintain an awareness of the possibility of fraud and corruption and report any genuine concerns accordingly.
Contractors, Consultants Suppliers and Partners	• To ensure they have adequate systems and controls to prevent and detect fraud and corruption. • To act with honesty and integrity and to report any suspicions or knowledge they acquire in relation to fraud and/or corruption against the Council.

7.0 Reporting

7.1 Referrals can be made directly in confidence to the Corporate Fraud Team:

Fraud hotline: (01394 444444)
fraud@eastsuffolk.gov.uk

7.2 **All Council employees and Councillors must report any suspicions of fraud to the Corporate Fraud Team immediately.**

8.0 Investigation

8.1 The Corporate Fraud Team are responsible for investigating allegations of fraud. This ensures a proper investigation is conducted by qualified and skilled Investigators and that Council assets and interests are protected and losses recovered where appropriate.

8.2 In undertaking an investigation, Officers will adhere to the Police and Criminal Evidence Act Codes of Practice 1984 (PACE) and the Criminal Procedures and Investigations Act 1996 (CPIA).

8.3 Investigators will ensure that persons subject to investigation are advised of their legal rights and that evidence is obtained and secured in accordance with the law.

8.4 All Investigators will consider and adhere to the Human Rights Act 1998, Data Protection Act 2018, Investigatory Powers Act 2016 and all bespoke equality needs during the course of an investigation.

8.5 Where surveillance is deemed an appropriate course of action, formal authorisation will be obtained under the Regulation of Investigatory Powers Act 2000 (RIPA) which public bodies employ in the discharge of their functions.

9.0 Strategy Review

9.1 The Audit & Governance Committee will continue to review and comment on this Strategy to ensure it remains relevant to the needs of the Council and compliant with appropriate Legislation and Regulations.

EASTSUFFOLK COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Monday, 08 January 2024

Subject	Corporate Risk Management Update
Cabinet Member	Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money Councillor Tim Wilson Assistant Cabinet Member for Resources and Value for Money
Report Author	Stacey Ransby Performance and Risk Officer stacey.ransby@eastsuffolk.gov.uk
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Is the report Open or Exempt?	OPEN

Category of Exempt Information and reason why it is **NOT** in the public interest to disclose the exempt information.	N/A
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:
The purpose of this report is to provide the Committee with an overview of how the Council's strategic and operational risks are managed. It provides an overview of the identified risks and what is being undertaken to mitigate and control the risks. To build on effective corporate risk management across the Council, it is recommended that the Committee reviews current risk reporting to ensure the reports continue to be useful and in an effective format. Members are asked to review the key risks on the register at regular intervals and consider corporate risk management when they are planning any future work programmes.
Options:
There are no options to be considered in relation to this report.

Recommendation/s:
That the committee note on the corporate strategic risks from the Council's current Corporate Risk Register (CRR) which is governed and monitored by the Corporate Leadership Team (CLT).

Corporate Impact Assessment

Governance:
The governance of the Council is supported by having an effective and robust risk management process in place to manage and monitor all risks, including strategic risks. Overall responsibility of corporate risks and governance is the responsibility of CLT. Risks are monitored, reviewed and clearly aligned to the East Suffolk Strategic Plan. Robust procedures are in place to ensure increased risks can be escalated to CLT to consider and approve inclusion onto the corporate risk register.
ESC policies and strategies that directly apply to the proposal:
• East Suffolk Risk and Opportunity Management Strategy • East Suffolk Strategic Plan – Our Direction
Environmental:
There are no direct environmental impacts arising from this report, other than risks relating to the environment (e.g. flooding).
Equalities and Diversity:
An Equality Impact Assessment is not required as the recommendations of this report do not require changes in policy and service delivery.
Financial:
No specific impacts as a result of this report, other than risks contained within the risk register.

Human Resources: No specific impacts as a result of this report, other than risks contained within the risk register.
ICT: No specific impacts as a result of this report, other than risks contained within the risk register.
Legal: No specific impacts as a result of this report, other than risks contained within the risk register.
Risk: This report provides information on the risk management process and procedures within the Council along with details and status of the Council's corporate risks.

External Consultees:	None.

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: *(Select only one primary and as many secondary as appropriate)*		**Primary priority**	**Secondary priorities**
T01	**Growing our Economy**		
P01	Build the right environment for East Suffolk	☐	☐
P02	Attract and stimulate inward investment	☐	☐
P03	Maximise and grow the unique selling points of East Suffolk	☐	☐
P04	Business partnerships	☐	☐
P05	Support and deliver infrastructure	☐	☐
T02	**Enabling our Communities**		
P06	Community Partnerships	☐	☐
P07	Taking positive action on what matters most	☐	☐
P08	Maximising health, well-being and safety in our District	☐	☐
P09	Community Pride	☐	☐
T03	**Maintaining Financial Sustainability**		
P10	Organisational design and streamlining services	☐	☐
P11	Making best use of and investing in our assets	☐	☐
P12	Being commercially astute	☐	☐
P13	Optimising our financial investments and grant opportunities	☐	☐
P14	Review service delivery with partners	☐	☐
T04	**Delivering Digital Transformation**		
P15	Digital by default	☐	☐
P16	Lean and efficient streamlined services	☐	☐
P17	Effective use of data	☐	☐
P18	Skills and training	☐	☐
P19	District-wide digital infrastructure	☐	☐
T05	**Caring for our Environment**		
P20	Lead by example	☐	☐

P21	Minimise waste, reuse materials, increase recycling	☐	☐
P22	Renewable energy	☐	☐
P23	Protection, education and influence	☐	☐
XXX	**Governance**		
XXX	How ESC governs itself as an authority	☒	☐

How does this proposal support the priorities selected?

Governance

Risk management is important in corporate governance because it protects the organisation. Proactively managing, identifying and monitoring risk in an effective manner reduces risk exposure and ultimately limits potential damage. Mechanisms are established and embedded within the Council with responsibilities clearly identified to allow risks to be escalated, when required, onto the corporate risk register. All risks within the ESC Risk Register are also assigned to a strategic theme within the East Suffolk Strategic Plan which ensures risks are categorised effectively. The Risk Management Framework (Appendix B) clearly demonstrates the management of risks within the Council.

Background and Justification for Recommendation

1	Background facts
1.1	**Audit and Governance Committee** The Audit and Governance Committee has responsibility for overseeing risk management for East Suffolk Council. Corporate risk management includes the processes and structures by which the business and affairs of the Council are directed and managed. This is to improve long-term stakeholder confidence by enhancing corporate performance and accountability. An annual update on Corporate Risk Management is reported to Audit and Governance Committee.
1.2	**Overview** Corporate risk management is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance. Risk management also covers opportunity management.

2	Current position
2.1	**Management of Risks** The Council's approach to corporate risk management is to embed risk management across the Council so that it is the responsibility of all managers and teams rather than purely the responsibility of one team. Overall Risk Management sits within the Digital and Programme Management service area, it is aligned to the management of the Strategic Plan and includes providing risk management advice and support to all officers across all services. The Chief Finance Officer has specific responsibilities as Section 151 Officer, including ensuring assets are safeguarded and insurances in place, and the Head of Internal Audit takes an independent review of the governance of risks, however all Heads of Service ensure that risks within their areas of responsibility are recorded and managed appropriately, in line with the Risk Management Framework (Appendix B). This framework clearly identifies monitoring and reviewing risks; recording and reporting; and communication and consultation. Corporate Leadership Team (CLT) has overall responsibility to oversee the approach to risk management within the Council including its regular review and monitoring.
2.2	**Risk Management processes** Risk registers form part of corporate leadership reporting and are designed to be living documents, updated regularly. The CRR covers risks which affect our ability to achieve long-term Council objectives including those within the East Suffolk Strategic Plan and those which may affect service delivery or our district as a whole. Risks within the Corporate Risk Register (CRR) states the cause, event and effect. For example, "**as a result of** bad weather, **there is a risk that** staff will not be able to get to the office and undertake their work **which will result in** unhappy service users and increased complaints."

	Governance arrangements for the East Suffolk Strategic Plan ensure that risks are identified for each theme and continue to be monitored and managed effectively ensuring high level risk reporting takes place across the Council. All risks within the ESC Risk Register clearly identify the Strategic Plan theme they relate to and are managed and monitored regularly. Risks can be escalated from service areas and Strategic Plan Theme meetings to CLT for consideration and inclusion in the CRR, this process also allows risks to be moved or lowered (e.g., a corporate risk to be moved to the theme or service level risk register) if appropriate. The Risk Management Toolkit (Appendix A), developed with Zurich Insurance, is used to assess and manage corporate, operational, project and partnership risks. The Council's intranet has a dedicated Risk Management page containing useful information, including guidance, training presentations/documents, East Suffolk Risk and Opportunity Management Strategy and Corporate Risk Registers.
2.3	**East Suffolk Risk and Opportunity Management Strategy** The East Suffolk Risk and Opportunity Management Strategy provides a clear purpose of risk management ensuring it is robust and provides comprehensive details on the governance and management of risks. The Strategy also includes opportunities arising from risk management and the risk management process is demonstrated including risk escalation, monitoring and review; roles and responsibilities; aims and objectives and the Council's risk appetite. Independent experts, Zurich Insurance, undertook a health-check of the Strategy at the end of 2021 which provided the Council with validation that the Strategy is fit for purpose and meets good practice. Audit and Governance Committee approved the Strategy on 13 December 2021.
2.4	**Key Categories for Managing Risks** For the purposes of effectively managing risk, and in accordance with best practice, the Council manages risk within five categories: • **Corporate (also known as 'Strategic')** risks which affect our ability to achieve long-term Council objectives, such as those in the East Suffolk Strategic Plan. These are recorded in the Corporate Risk Register (CRR) and regularly reviewed and monitored by CLT**.** • **Strategic Theme level risks** are those that affect the ability to deliver priorities within a theme of the East Suffolk Strategic Plan. Risks are identified, monitored and regularly reviewed as part of the framework to deliver objectives. • **Operational/Service level risks** are those that affect the day-to-day business of a service; for example, staff absence and its impact on service delivery. These are recorded, identified and managed by service areas. Heads of Service are expected to report high level risks within their service area to CLT to consider whether they are significant enough to be escalated to corporate level status. • **Health and Safety** includes health and safety of service users as well as staff and councillors. This is overseen by Environmental Services and Port Health. Information, policies and risk assessments are available on the Council's intranet.

	• **Emergency Planning and Business Continuity** are the responsibility of the Head of Operations. Emergency Planning and internal Business Continuity Services for the Council are provided by the District Emergency Planning Officer and the Emergency Planning Officer, employed by the Suffolk Joint Emergency Planning Unit. This enables the Council to react effectively to infrequent Major Emergencies, in partnership with other agencies, as required by the Civil Contingencies Act 2004. Further information is available on the Council's Intranet, while general information on the multi-agency response to Major Emergencies, together with plans available for public scrutiny are available at www.suffolkresilience.com
2.5	**Project Risks** Project risks are also managed according to the risk management process toolkit. Details of risks are included in risk register templates for projects and business case appraisals. Links to the relevant documents are included in the Project Management Framework. Each significant project should have its own risk register allowing Project Managers to actively manage risks pertaining to specific projects and Project Boards to monitor those risks.
2.6	**DEVELOPMENT AND PROGRESS IN MANAGING RISK** **Risk Management E-learning Module** The Risk Management e-learning module continues to form part of the induction process and is mandatory for all new staff to undertake training within one month of employment. Further training or guidance on risk management is available. **Risk Management Training Programme** As part of the Risk Management Training Programme the Council's insurance providers and advisors, Zurich Insurance Group, facilitated the annual 'Horizon Scanning and Corporate Risk Challenge' session for CLT on 21 November 2023. It clearly demonstrated that risks relevant to the Council, and identified within the global risk report, are captured within the Corporate Risk Register. Further work on outcomes arising at this meeting will be considered by CLT on 19 December 2023 which may result in minor changes. The session reviewed and challenged existing corporate risks and any potential additional risks the Council needed to identify. **Risk Appetite:** Work will continue to strengthen guidelines around risk appetite to aid in determining the council's approach to individual risk management.
2.7	**CORORATE RISKS** This section provides details on progress being undertaken to achieve specific targets, meet risk scores of existing corporate risks and includes new risks. There are currently **25 risks** on the Corporate Risk Register (**3 red risks, 18 amber risks and 4 green risks**). The risk management toolkit/matrix (Appendix A) is used to assess risk scores and monitor and manage all risks. **Red Risks:** **Failure to deliver import checks required in new Target Operating Model (TOM) (Red B2, high likelihood, critical impact)** The Suffolk Coastal Port Health Authority's (SCPHA) ability to deliver the required BTOM checks has a significant dependency on the clarity of information provided by National Competent bodies; these policies/requirements remain in development and have not been fully confirmed. SCPHA has already sought

	Council approval for delegated authority to act to enable it to respond in a dynamic and rapid way with the appropriate governance structure. SCPHA is currently developing a financial modelling paper and a proposed future service development paper, that are based on the current known requirements and reasonable assumptions. This will be brought forward for consideration/approval in November/December 2023. This paper, if approved, will enable SCPHA to commence preparations for the implementation of the BTOM and will see the risk reduce to B4 Amber. There will continue to be a BTOM delivery risk until such time as all the policy elements of the BTOM have been developed, implementation easements have been rescinded, and that a business-as-usual position has been achieved. This is not envisaged to be before late 2025. **<u>Coastal Management – Incident management – flood risk</u>** **(Red B1, high likelihood, catastrophic impact)** Potential of flooding and tidal surges in the short-term and the long-term remains high, particularly as the Council has a large coastline and the impact this would have on properties, communities and businesses. There is also a possibility of more frequent flooding and tidal surges due to the impact of climate change. ESC is part of Suffolk Resilience Forum and continues to work with other agencies. Work was undertaken to develop crisis response plans which will also involve regular review in future. Targeted actions include Coastal Partnership East producing an incident response protocol with incident response 'Civil Contingencies, Environmental Health and Building Control' (as appropriate with local authorities) and with others depending on flood risk sources. Due to the nature and uncertainty of this risk it cannot be eliminated, however, work continues to monitor and manage its impact. The target risk is B4 amber. The aim is to ensure the impacts and effects of all coastal management risks reduce on those affected through either improved defences, improved warning or by adaptation measures, the target risk review date is 2025 which will allow time to see the outcome of our Resilient Coast project pilots and progress on Lowestoft which will be advanced. **<u>High profile or major coastal erosion or coastal incident</u>** **(Red B2, high likelihood, critical impact)** There remains a high possibility for major erosion, slip or a tidal surge incident along the East Suffolk coastline which could be catastrophic to life or loss of public or private assets. Monitoring of weather and surge reports is undertaken with appropriate engagement with civil contingencies team, East Anglia and Suffolk and Norfolk Resilience Forums. Out of office cover and emergency plans are in place. 'Peace-time' work is due to be undertaken with wider local authority teams to establish resources and responsibilities in an erosion event. Work continues on incident management with Building Control, Housing and Communities teams with the wider Council impacts from erosion requiring multi-team/agency response with homeowners, utilities and public. An emergency event plan is developed in conjunction with other relevant service areas and external partners e.g. Coastguard, Utilities, Police and implemented in key erosion locations. Funding from our FCRIP bid will help with awareness raising and community planning. Target risk score is C3 (amber).

Amber Risks:

Cost of living crisis
(Amber B3, high likelihood, major impact)
A significant risk to the Council is the cost-of-living crisis impacting on individuals, families and communities in East Suffolk. The Council is continuing to experience increased pressure on existing resources to meet greater and more complex demand to support all those in need. This pressure particularly impacts on the following services: communities, housing and revenues and benefits, and there is also pressure on council finances to meet needs through hardship grants and other forms of support. There is potential for increased rent debt (impacting on ESC incomes) and house repossessions leading to increasing levels of homelessness and more deprivation across the district. Universal credit changes and sanctions will lead to more people seeking help to access emergency support (food, energy and financial). The Council hosts the Suffolk Warm Homes Team and there is huge demand for support around energy efficiency, costs and debt.

The Council is supporting communities with the cost-of-living crisis in many ways, including through the Community Partnership Board and eight Community Partnerships. The CPB has identified tackling inequalities as one of its priorities with a specific focus on financial inequality. A far-reaching Ease the Squeeze programme was established in 2002, with £100k allocated by the CPB to the programme and each member allocated £1k from their community budget to the cost-of-living crisis which, combined with other funding (including part of our UK Shared Prosperity Fund allocation) has created a programme worth more than £700k. The programme includes twelve projects including Warm Rooms, Community Pantries, Cooking on a Budget classes and Field to Fork community growing space grants.

Seventeen Ease the Squeeze roadshows were delivered along with regular outreach into community locations and focussed support through activities such as Talk Money Week. A dedicated webpage has been set-up providing information and advice. The Council has taken over 1000 referrals from residents for help with a wide range of challenges which are triaged through a new Community Help Hub. Other key sources of support include Winter Warmth Packs and a Pre-Payment meter project delivered by the Warm Homes Team alongside core advice, support and grants, a new project funded by Cadent to support 'centres for warmth' in Lowestoft, a Cold Homes project targeting older people and young people with respiratory conditions developed in conjunction with Norfolk and Waveney ICB and mobile work through the Wellbeing on Wheels (WoW) bus in the Lowestoft area and the new Be Well Bus in the south of the district. Grant schemes are in place for council tax discounts, housing benefits, discretionary housing payment and one-off hardship support, as well as Cost-of-Living Community Grants to enable VCFSE groups to develop local solutions. ESC works in partnership with other organisations such as DWP, other local authorities, community organisations, voluntary sector and police. The target risk score is C3 (amber) and will continue to be monitored by the Council and at Communities Theme meetings.

	Subsidy control compliance and reporting **(Amber B3, high likelihood, major impact)** Risk relates to non-compliance with new post-January 2023 UK Subsidy Control (formerly State Aid) regime. Specialist legal and treasury management advice has been engagement where appropriate. External Training is scheduled for CLT and key officers on 10 January 2024. Target risk score is D4 green (low likelihood, marginal impact) and will be reviewed following training. **Capacity to deliver the Council's aims and aspirations** **(Amber C2, significant likelihood, critical impact)** Risk relates to pressure on resources to deliver aims and ambitions within the Council including those identified within the Strategic Plan and the risk if these are not delivered. Contributing factors of this risk relate to pressure to meet aspirations identified; the number of significant projects which have the same timeframe and require the same officers to deliver; and additional finance. Increasing prices, supply chain issues and the need for additional staff/resources could potentially require use of reserves are also impacting on this risk. This risk will continue to be monitored and reviewed. Target risk score is C3 (amber). **Failure to protect lives and properties from flooding/tidal surges (Lowestoft)** **(Amber C2, significant likelihood, critical impact)** Due to ESC having a large coastline the threat of flooding and tidal surges is a risk for the Council. National flood warnings and measures are in place, including procedures to warn people to vacate properties. Overall the risk is relatively low, however, Lowestoft remains a higher risk. At present, there is a temporary barrier in Lowestoft, regularly tested and deployed in significant tidal surges to protect Lowestoft central, and work is underway to construct the tidal flood walls and tidal barrier by 2029. The target score is green D4 (low likelihood, marginal impact) and although the project is progressing (the tidal walls are complete) the risk will not be reduced until the full scheme is in place. **Housing Regulation – Breach of the Rent Standard and the 'Home' Consumer Standard** **(Amber C2, significant likelihood, critical impact)** ESC is not compliant with the Rent Standard and 'Home' Consumer Standard and has self-referred to the Regulator for Social Housing (RSH). The RSH published a Regulatory Notice on 23 May 2022. Rental charges dating back to ESC's predecessor authority, Waveney District Council, did not meet requirements set out in 'Rent Standard', with tenants who moved in after 2014 being charged higher rents. The review also included aspects of health and safety of properties, including fire risk assessments, asbestos management, water safety, gas and electrical safety, etc. A number of controls and mitigating actions have now been undertaken including forensic audit of potential overpayments of rents which was completed July 2023. A permanent Housing Health and Safety Board was created and provides senior level monitoring, control and direction. A full asset review of St Peter's Court was completed in August 2023 and considered by Cabinet on 2nd October 2023. A decision was made to re-home tenants with immediate effect and demolish the building. Regular monthly meetings being held with Housing Regulator and quarterly reports are being provided to Cabinet. Target risk is D4 (green) and will be monitored on a regular basis until the Regulatory Notice is withdrawn.

Cyber-attacks including failure of ICT (Cyber security/resilience)
(Amber C2, significant likelihood, critical impact)
ICT and cyber resilience remains a key priority with ongoing review and updating of infrastructure, systems and processes to mitigate against ever-evolving ICT risks. Specific measures are in place to address cyber security risks and additional solutions have been implemented to provide layers of resilience. 24/7 monitoring of the network takes place which raises alerts when any abnormal incidents/threats occur resulting in immediate action to be taken. External threats continue to be an ongoing concern and therefore will always be an entry on our risk register to ensure we remain vigilant. Target score D2 amber (low likelihood and critical impact).

Increasing Anti-social behaviour incidents impacting on Council services
(Amber C2, significant likelihood, critical impact)
Following discussion and agreement at CLT in October 2023, a new corporate risk was added relating to increasing anti-social behaviour incidents, both in volume and complexity, and the impact it is having on services throughout the Council. Multiple departments are involved in dealing with ASB reports including Housing on tenant matters, Environmental Services on statutory nuisance (particularly noise and smells), Planning regarding hedges and planning issues, and Communities dealing with a range of other ASB incidents including neighbour disputes and community level ASB.

Neighbourhood disputes have increased significantly along with customer expectations on the Council's ability to resolve incidents for them. Work is underway in the Council to review current structures to ensure customers are dealt with effectively, with minimal hand-off between our services and between our services and external partners, and ensuring they have realistic expectations of what we can and can’t do. It is also important to identify and address any skills gaps as ASB complaints increase in complexity. The Council has an Anti-social Behaviour Policy, and a transformation project within the Communities Service has led to the implementation of a number of changes. Regular liaison also takes place between service areas and ASB training has been delivered to relevant officers. The target risk score is D3 (green) and will be reviewed once further work has been undertaken to address some of the actions around communication, joining up our ASB response and providing the best possible service whilst managing customer expectations.

Recruitment of staff to key positions resulting in failure to deliver services
(Amber C3, significantly likelihood, major impact)
Risk relates to ongoing issues to recruit staff to key and specialist positions within the Council which is significant and will increase if no action is taken. For some positions there had been a lack of applications for vacancies with positions remaining unfilled. In some instances, threshold/calibre required to undertake roles had not been met with successful candidates requiring additional support and training and positions having to be readvertised resulting in additional time required for the recruitment process. Recruitment is also a national issue and local authorities and other public sector bodies are unable to compete with competitive salaries offered by the private sector. Work continues to monitor this risk and, as part of this, the People Strategy is being refreshed which will include an action plan to address succession planning, career development and staff retention. A procurement exercise to source a strategic recruitment partner will

	take place early 2024. Liaison continues to take place with CLT and managers across the council to ensure job descriptions are regularly reviewed and job evaluations undertaken. Target score of D4 (green) and work will continue to monitor at senior level. **<u>Failure to deliver consultants recommendations to effectively manage environmental impact of oil deposits on Gunton Beach</u>** **(Amber C3, significant likelihood, major impact)** Due to increased exposure of oil deposits on Gunton Beach following oil spill from a collision between an oil tanker and an ore carrier 43 years ago. Part removal of contamination carried out at the time, the remainder was left in situ. Coastal erosion is likely to further expose oil deposits with the situation likely to worsen over next two years. Remediation work could potentially accelerate erosion and exacerbate the risk of Anglian Water sewer pipes becoming exposed to damage by the sea. Also implications if WWI/II bombs/mines present. On-site investigations and reports have found that, as a result of erosion, mixing with sand and weathering, the oil now exists in a range of constituents from hard black stained relatively benign bound gravelly sand, to wet semi liquid dark brown oily sand with strong hydrocarbon odour. There is a comprehensive UXO assessment being done in two phases: • Phase 1 study to identify location of the oil deposits. • Phase 2.1 study delineating the site further and an estimate of quantities of the buried oil. It falls under the classification of hazardous waste and would have to be treated as such for any removal. Hydrock has a good idea of UXO in the area studied and where large deposits of material are buried. Hydrock has given a broad idea of quantities but with many assumptions made and likely inherent inaccuracies. The acute risk is the possibility of further viscous oil exposure as a result of high tides and storms, however, this is managed and mitigated by fortnightly visual inspection of the deposits and a consistent recording of any changes. There is a working plan with ESSL to prevent public access to any exposed viscous oil and provision of further signage. ESC is liaising with CEFAS who offered assistance in reviewing the terms of the contract with Hydrock for further works. In the previous year no public queries were made about the oil deposits. It is recommended that Hydrock should be asked to do further investigation and testing to determine human, water and marine receptors, and an assessment under Part 2A EPA 90 to establish our responsibilities to human and ecological health, as per the existing contract. **<u>Failure to manage impact of Sizewell C</u>** **(Amber C3, significant likelihood, major impact)** Risk relates Sizewell C and its impact on the area including environmentally, to the local economy and housing. Concerning the planning status, the decision on the Development Consent Order (DCO) application was approved by Government. Deed of Obligation signed with the applicant to ensure there is a mitigation and compensation package in situ. The first tranche of funds from the Deed of Obligation has been provided to ESC to begin recruitment to identified posts with an anticipated commencement of the development in Quarter 1 2024. The target score is green D4 (low likelihood, marginal impact) and senior officers and members are working with communities to maximise potential whilst minimising the impacts. This includes ensuring economic advantages to the local economy

relating to the creation of jobs and training and infrastructure. A hothouse involving Planning, Economic Development and Regeneration, Communities and Housing was held in Autumn 2023 to consider impacts of development within East Suffolk.

Safeguarding – ESC policies and processes fail in identifying vulnerable children, young people and adults at risk and ensuring they receive appropriate help from the relevant organisations, including via the Multi-Agency Safeguarding Hub (MASH), when safeguarding concerns are identified
(Amber C3, significant likelihood, major impact)
This risk relates to those who are vulnerable and are unable to receive the help needed due to not meeting the high threshold criteria of the Multi-Agency Safeguarding Hub (MASH) and other organisations despite being vulnerable and in need of safeguarding for a variety of reasons. Our priority is to ensure that all safeguarding concerns identified by councillors, staff and delivery partners are appropriately reported and feedback is received on the outcome of referrals.

ESC continues to liaise with other Suffolk authorities to try to address the gap in terms of thresholds and feedback loops. A corporate Services for All Group provides oversight of safeguarding and Equality and Diversity, and training had been delivered to staff and councillors to ensure compliance with policy and legislation and awareness of reporting procedures. Additional resources have been identified to oversee safeguarding referrals from ESC staff and councillors (which are recorded internally as well as on the MASH referral form) and an overview of referrals (including the person and team making the referral and referral reason(s)) is considered by the Services for All Group and concerns escalated through the CLT Governance meeting as part of improving our processes to ensure that ESC is tackling this risk effectively. Feedback on the outcome of referrals is still a gap, as is identifying pathways for the referrals made under safeguarding processes that relate to concerns about mental health and capacity where there is no abuse or risk of abuse and that are therefore not picked up through the MASH process.

This risk also includes the Council's statutory duty to only licence, and permit to remain licensed, fit and proper persons and the risks associated with not always being notified promptly, or at all, when drivers are under investigation or arrested on suspicion of criminal act(s). Controls include a single point of contact with the police for disclosure/information sharing. There are ongoing discussions between the Council and the police to seek to ensure that the information that the Local Licensing Authority needs to fulfil its statutory duty is disclosed in a timely manner. The target score is green D4 (low likelihood, marginal impact) and will be reviewed to assess progress.

Failure to effectively deliver the Accountable Body for Freeport East
(Amber C3, significant likelihood, major impact)
Freeport East was announced in March 2021 as one of eight Freeports in England. It became a 'live' Freeport in December 2021 after Government approved the Outline Business Case (OBC) and the three Tax Sites and seven Customs Sites. East Suffolk Council is the Lead Authority and Accountable Body. There is currently lack of guidance from DLUHC regarding subsidy control and business rate reliefs, and direct contact with the Accountable Body. There is also a shortfall in funding to cover operational costs and forward investment until business rates income is

	realised. Controls to manage this risk include a Freeport East Supervisory Board established which meets bi-monthly; an Audit and Finance Committee is in place and business cases for seed capital funding will be signed off by the Chief Finance Officer for the Accountable Body this includes being satisfied that the Subsidy Control Assessments have been completed. The target score is E2 (amber) and will continue to be reviewed. **<u>Risk to life from fire incident(s) in social and temporary housing assets</u>** **(Amber D1, low likelihood, catastrophic impact)** Risk was previously named 'Risk to life from fire spreading through St Peter's Court' but has now evolved to cover risk to life from fire incidents in multiple high risk social and temporary housing assets. These include St Peter's Court (high rise block of flats), retired living schemes and some Temporary Accommodation. Recent Fire Risk Assessments and safety surveys identified remedial works required to rectify significant breaches to internal fire compartmentation and defects to cross-corridor fire compartmentation (fire doors). On St Peter's Court uncertainty remains around the fire performance of the External Wall Insulation (EWI), which is also incorrectly installed. These factors could combine to create a multi-casualty event. Remedial works undertaken on St Peter's Court has lowered the Fire Risk to from Substantial to Moderate. Suffolk Fire and Rescue Service issued formal Notices of Deficiency (NOD) and Enforcement Notices on several buildings. Failure to resolve this risk could lead to enforcement or prohibition action. A number of controls are in place including monthly monitoring by the Housing Health and Safety Board to ensure actions from FRA's are completed within agreed timescales; weekly meetings are held by operational teams to manage compliance work programmes; Annual Risk Assessments are carried out by a competent, external Fire Risk Assessor; and an Evacuation strategy is reviewed in liaison with partners, including the Fire Authority and competent Fire Risk Assessors. In St Peter's Court, a Fire Suppression system (sprinkler system) was installed in individual dwellings. Statutory guidance and regulations are in place; Regulatory Reform Fire Safety Order 2005, Fire Safety Act 2021, Building Safety Act 2022. An Asset Review of St Peter's Court has highlighted that this 50 year old building is reaching end-of-life. Cabinet has decided to implement a 12-month programme to re-house all residents living in St Peter's Court, with a view to the building being demolished and the site re-developed. Target actions include the removal of St Peter's Court from our housing stock, and for other high-risk buildings to invest in necessary works to maintain the building in accordance with legislation, so the risk of fire spread is effectively managed. The target score is D4 green and is expected to be achieved. **<u>A sustainable Medium Term Financial Strategy (MTFS) for the General Fund, Housing Revenue Account (HRA) and the Capital Programme</u>** **(Amber D2, low likelihood, critical impact)** Risk continues to reflect financial uncertainty around national Government initiatives and funding to local government, delivery of key projects, and the economic outlook including pressures from the cost-of-living crisis and inflation (including pay pressures). New compliance and regulatory requirements are creating cost pressures for the HRA. Inflation continues to affect the delivery of the capital programme in terms of timing and costs. This risk also incorporates the

	delivery of a balanced annual budget and financial governance. The Corporate Leadership Team works with Cabinet to develop and implement plans to deliver a sustainable balanced budget. Work continues to identify savings and income generation, and the delivery and monitoring of key projects to achieve and maintain financial sustainability. The annual budget is approved by Full Council annually in February and the MTFS position is continuously reviewed, and assumptions updated. An updated of the draft MTFS was reported to Cabinet on 7 November 2023 with the next update to be reported to Cabinet on 2 January 2024. Target score is D4 green (low likelihood and marginal impact). **<u>Risk to the medium-term financial sustainability of the HRA</u>** **(Amber D3, low likelihood, major impact)** New risk added focusing on the financial pressure on HRA budgets and potential funding available to deliver all services and programme. Risk relates to the housing development programme to build new social housing stock, capital programmes to retrofit all social homes for EPC 30 by 2030 and zero carbon by 2050, and assuring tenant safety with a sizeable investment in the safety of our buildings, particularly fire safety (to resolve a breach of the Homes Standard). Controls and mitigations are in place and a review of the 30-year HRA Business Plan has been completed and used to inform budget-setting. A new Housing Health and Safety Board also oversees capital expenditure for safety and compliance. Target score is D4 green (low likelihood and marginal impact) which will be reviewed by September 2024. **<u>Failure to deliver against our 2030 Carbon Neutral target</u>** **(Amber C4, significant likelihood, marginal impact)** Risk relates to failure to deliver against net zero greenhouse gas emissions target. As part of this risk climate change is recognised as a high-level priority for the Council and is specifically identified within the ‘Environmental Impact’ Theme in ‘Our Direction 2028’. The ESC Climate Action Framework and Annual Greenhouse Gas reports include milestones to work towards the Council becoming net zero by 2030. ESC is part of the Suffolk Climate Emergency Plan groups and Suffolk Climate Change Partnership and is working towards the aspiration of making Suffolk net zero by 2030 with SCC and other partners across the county and region, including Public Sector Leaders. ESC continues to actively bid for funding as opportunities emerge, take advantage of new low emissions technologies. It also continues to work with Government to deliver its 25-year Environmental Plan and increase the powers and resources available to local authorities in order to make the 2030 target achievable. It is also measuring renewable energy generated on the Council’s own estate. The target score is green F5 which will continue to be monitored as work progresses on the delivery of the Climate Action Framework. An updated decarbonisation plan is currently being scoped. **<u>Failure to meet legal requirements of Health and Safety of employees and others</u>** **(Amber D3, low likelihood, major impact)** Statutory duty of the Council to ensure legal requirements relating to health and safety are complied with and met. Health and safety management audits undertaken in 2022 identified areas where further support is required, and this will be provided to managers. An annual programme of health and safety related tasks (e.g. display screen equipment user assessments) has been reintroduced to assist managers to manage health and safety within the scope of their responsibility. A health and safety induction session is being developed for all new starters to

complete in their first week of employment. The Council's statutory Health and Safety Policy has been revised and previously implicit responsibilities have been made explicit. The target risk score is green D4 (low likelihood and marginal impact) and is achievable if managers implement the necessary controls identified following suitable and sufficient risk assessment.

Loss of public confidence due to failure to adhere to member and officer code of conduct and promote and maintain Ethical Standards
(Amber D3, low likelihood, major impact)
Due to the importance of maintaining and promoting Ethical Standards this risk remains a corporate risk. The Council's Audit and Governance Committee has a statutory duty to promote and maintain high standards of behaviour. Regular reports are made to the Committee about standards matters. Declarations of interests, gifts and hospitality are made and monitored. The LGA Model Code of Conduct was adopted by East Suffolk Council on 23 March 2022, with effect from 1 May 2022. Member training on the Code has been provided. The target score is E4 (green).

Green Risks:

Physical and mental health wellbeing (staff and members)
(Green D4, low likelihood, marginal impact)
Mental and physical wellbeing of staff and members continues to be a significant risk and included as a corporate risk. Controls and mitigations are in place to ensure support and counselling is available for all, including comprehensive details held on the Council's intranet and mental first aiders. The target score of D4 green has been achieved and this risk will continue to be reviewed.

Impact of potential pandemic outbreaks on service delivery
(Green D4, low likelihood, marginal impact)
Risk relates to potential pandemic outbreak. Continuity plans are in place and constantly reviewed to ensure that services operate effectively. Target risk is green D4 (low likelihood, marginal impact).

Failure to implement the new Equality, Diversity and Inclusion Action Plan
(including areas of improvement identified in Equalities Framework self-assessment and Anti-Racism Charter Action Plan (Green D4, low likelihood, marginal impact)
Risk relates to implementation of a new Equality, Diversity and Inclusion Action Plan and ensuring that gaps and areas for improvement identified in the Equality Framework for Local Government self-assessment and Anti-Racism Charter Action Plan ensuring that the Council is fully compliant with meeting legislative requirements or achieve its equalities ambitions. Significant work has taken place including two staff workshops to inform the development of a new EDI Action Plan. Also Equality Impact Assessments are an integral part of decision making. Policies and procedures are also in place (e.g. Equality and Diversity Policy). Progress is regularly reported to CLT. Due to significant work the risk is green (D4) and following completion will be reviewed to ascertain whether it has met its target score of E4 green.

	<u>Frontline services not delivered if significant delivery contracts/partnerships fail</u> **(Green D4, low likelihood, marginal impact)** Risk relates to significant delivery contracts and partnerships. East Suffolk Services was successfully created and came into effect from June 2023 following an extensive programme to ensure its smooth transition of services. Partnership boards are established for all significant partnerships. Target score of Green D4 is being met and will continue to be reviewed and monitored. **Overview of Risk Ratings:** A summary of the current and target risk scores along with the projected direction of travel is detailed below. Appendix C displays all corporate risks against the risk matrix.

Risk	Current	Target	Direction of Travel
Failure to deliver import checks required in new Target Operating Model	Red	Amber	→
Incident management – flood risk	Red	Amber	→
Major coastal erosion or coastal incident	Red	Amber	→
Cost of living crisis	Amber	Amber	↓
Subsidy control compliance and reporting	Amber	Green	→
Capacity to deliver Council's aims and ambitions	Amber	Amber	↑
Flooding / tidal surges (Lowestoft only)	Amber	Green	→
Housing Regulation - Breach of the Rent Standard and the 'Home' Consumer Standard	Amber	Green	→
Cyber-attacks (Cyber Security Resilience)	Amber	Amber	↑
Recruitment of staff	Amber	Green	→
Oil deposits on Gunton Beach	Amber	Green	→
Sizewell C	Amber	Green	→
Safeguarding – failing to protect the most vulnerable	Amber	Green	↑
Accountable Body for Freeport East	Amber	Amber	→
Fire incident(s) in social and temporary housing assets	Amber	Green	↑
Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget	Amber	Green	↓
Risk to medium-term financial sustainability of the HRA	Amber	Green	→
Carbon Neutral target (203)	Amber	Green	→
Health and Safety	Amber	Green	→
Ethical Standards	Amber	Green	↓
Potential pandemic outbreaks delivery	Green	Green	↑
Significant contracts/partnerships	Green	Green	↑
Physical and mental health and wellbeing	Green	Green	↑
Equality, Diversity and Inclusion Action Plan	Green	Green	→
New Risk:			
Anti-social behaviour incidents increasing	Amber	Green	n/a

3 How to address current situation

3.1	Ensure that robust risk management procedures and processes meet the needs of the Council in continuing to provide good governance, ensuring risk processes continue to manage risks and allow for identification of new and emerging risks.

3.2	Ongoing review and monitoring of corporate risks with ownership by Corporate Leadership team.
3.3	Continue to deliver training on risk management as and when required.

4	Reason/s for recommendation
4.1	To provide assurance to Members that good governance arrangements are in place to manage and monitor risks within the Council. Risks are reported and reviewed regularly at Corporate Leadership Team meetings. Training continues to be delivered on risk management and a Horizon Risk Challenge session recently facilitated by Zurich Insurance to challenge and provide an external view on our risk management processes.
4.2	Members are fully informed of the current corporate risks within the Council and provided with information on what has been achieved and reasons as to why they are strategic risks, including current risks scores and target risk scores.

Appendices

Appendices:	
Appendix A	Risk Management Process/Toolkit
Appendix B	Risk Management Framework
Appendix C	Corporate Risks on matrix

Background reference papers:
None

Appendix A
(Page 1 of 2)

Risk – and opportunity – management process and toolkit

This process is used to manage corporate, service, project, business case, and partnership risks and opportunities.

EASTSUFFOLK COUNCIL

Roles
All members and officers have a responsibility to manage risk in their work. There are also specific responsibilities:

Cabinet	Consider risk when making decisions. Review key risks
Audit & Governance	Review strategy
Corporate Leaders Team (CLT)	Manage corporate risks. Escalate risks to CLT. Move corporate risks into team or service registers. Raise risks at meetings.
Team Leaders	Manage own risks. Update senior managers Escalate risks

Step 1: Identify

Do this at least once a year

- Look at the Strategic plan/business plans, especially priorities. What might stop your team delivering the Council's priorities – or delivering your service plan?
- Consider the types of risk
- Brainstorm with colleagues
- Examine trends, Analyse last year's problems
- Review information from other councils / situations
- Be aware of new initiatives / agendas & regulations
- What opportunities are there?

Do this frequently

- What might stop you delivering your service?
- Review situation. Brainstorm with team.

Step 2: Analyse - Capture the main elements to a risk or opportunity

Cause	If / As a result of…	**As a result of** bad weather
Event	Then / There is a risk that…	**there is a risk that** staff will not be able to get to the office to do their work
Effect	So / Which will result in…	**which will result in** unhappy service users and increased complaints

Step 1: Categories: Types of risk / opportunities (with examples full details in East Suffolk Risk and Opportunity Management Strategy): *What if…?*

Political	Change of political control locally or nationally
External	Changes outside the council's control
Assets	Property – land, buildings, and equipment
Economic & Social	Recession, deprivation, population growth, ageing population, changing demographic of area
Social	Population growth; aging population
Governance	Compliance requirements; controls
Communication & Relationships	Failure of systems; potential new partnerships
Legislative or Regulatory	Fail to meet requirements; law changes, legislation
Customers	Changing needs and expectations; poor quality/reduced service delivery
Partnerships	New initiatives, ways of working, policies/procedures, new relationships
Financial	Impact on budget; financial management regulations; interest rate change; financial loss; arrangements
Strategic / operational	Fail to meet Strategic Plan or team objectives
Resources (incl. HR, IT, Finance)	Staff illness; succession planning; system failure; new software; budget cut
Legal	Breach of contract; improved terms
Environmental	Extreme weather events; floods; good summer
Roles & Responsibilities	Using staff skills; lack of qualified staff
Stakeholders & Relationships	Disagreements; changed priorities

For information on risk management, performance & policy, contact Stacey.ransby@eastsuffolk.gov.uk 01394 444232, Digital and Programme Management
Updated: Sept 2023

Step 5 - Monitor

Review the Register with colleagues (for example, as part of your Service Plan) at least quarterly

- What has changed?
- New risks or opportunities?
- Need to report or escalate risks?
- Have rankings changed?

Step 4 – Mitigate

- Assess current actions and controls: Are they adequate or more needed?

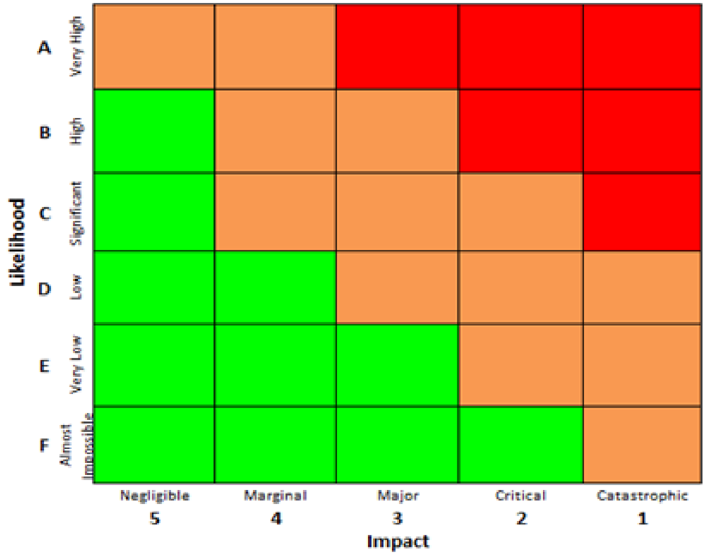
Treat – Accept -Terminate - Transfer

- Within your Service Plan - develop specific SMART actions that will either reduce the likelihood of the risk or minimise the impact – or maximize an opportunity and increase its likelihood.
- What should score be after taken action taken?
- Should this risk be escalated?

	Likelihood	%	Description	Proximity/ Timing
A	Very High	90%	Event is very likely to occur.	Within current financial year
B	High	60% - 90%	Strong possibility the event will occur.	Will occur at least once per year
C	Significant	30% - 60%	Will probably occur in most circumstances	Will occur within next 4 years
D	Low	15% - 30%	Risk event likely to occur at some time.	Likely to occur once in 4 to 6 yrs
E	Very Low	5% - 15%	Risk event could occur at some time.	Likely to occur within 6 to 10 yrs
F	Almost Impossible	0% – 5%	May occur only in exceptional circumstances. Extremely unlikely or virtually impossible.	May occur once within 10 to 50 yrs

Step 3 – Prioritise using matrix below

- How likely is this? How soon might it happen?
- How big an impact will it have?



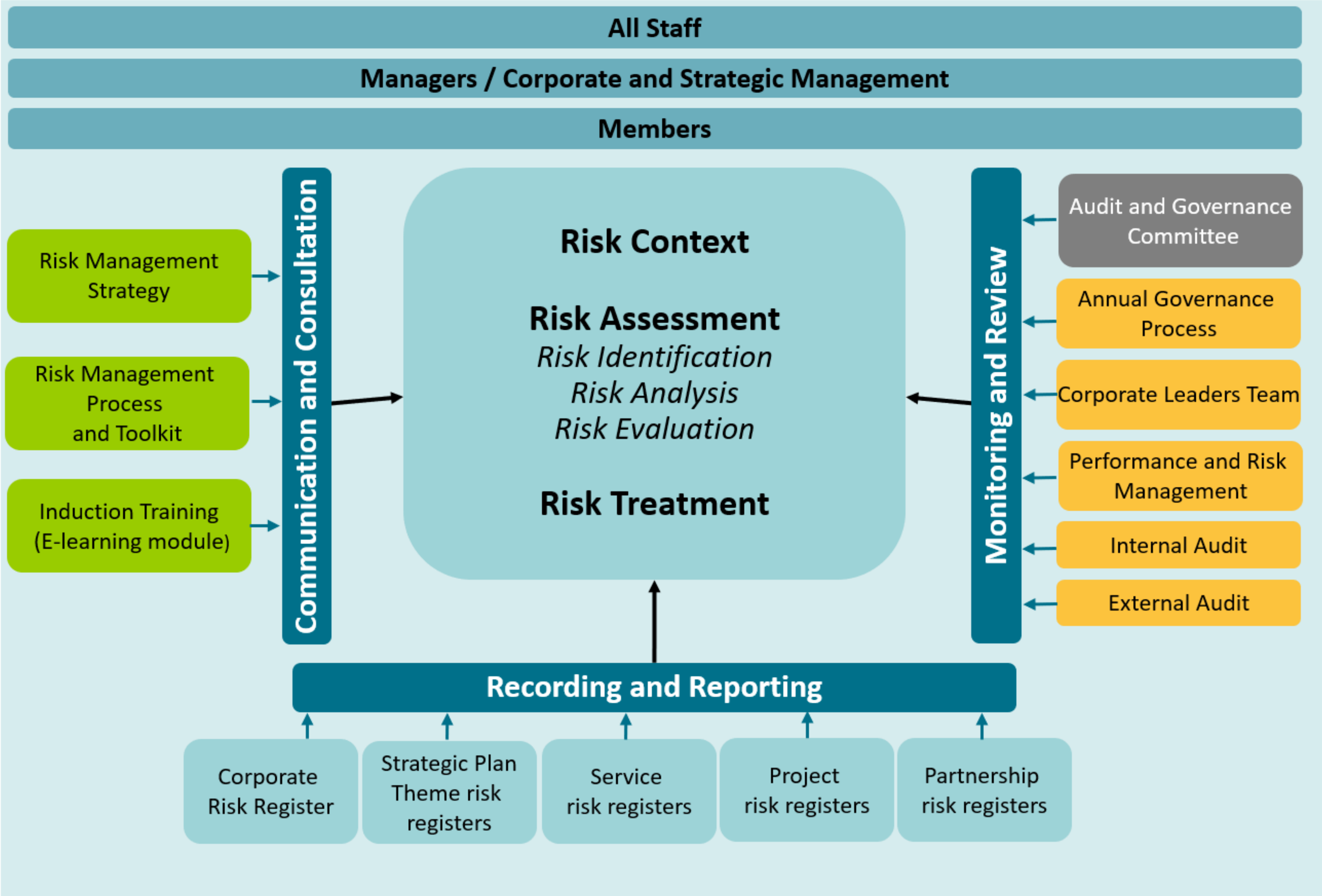
	Impact	Service / Operational	Project or programme	Strategic	Financial	Opportunity
1	Catastrophic	Service suspended long-term or taken over. Statutory duties not delivered.	Milestones missed; key deliverables not achieved.	Corporate objectives not met; Mass staff leaving/unable to attract staff. Remembered for years, mentioned in Parliament.	In excess of authority's available balances, finances/ reserves wiped out.	Significant performance improvement, savings or income of 70%, service transferred.
2	Critical	Service suspended medium-term or taken over temporarily. Key objectives missed.	Project reduced/suspended in the medium-term. Major milestones & KPIs missed (red)	Statutory requirements not met. Industrial action, adverse national publicity.	£5m and above	Service transferred, savings/income 50%-70%
3	Major	Service reduced / suspended short-term / taken over for a minimal period. Key objectives or KPIs missed (annual - red) within one team/ service, or more than one service affected.	Project delayed / suspended short-term. Some major milestone, or KPIs missed (red).	Industrial action, adverse local and national publicity.	Over £1m less than £5m	Part of service transferred savings/income 30%-50%.
4	Marginal	Service slightly reduced Within one team/service some objectives or KPIs missed (amber annual, red quarter).	Project slightly delayed Some objectives or KPIs missed (amber).	Adverse local media, impact on an external inspection (s), some hostile relationships and minor non-co operation.	Over £½m less than £1m	Positive local media, financial impact 10%-30%, all PIs met, some partnership working.
5	Negligible	No impact on annual service, performance or team objectives.	No impact on: final project due date, performance or objectives.	No effect on morale No effect on reputation or partnership. No media attention.	Less than £½ m	No impact on team objectives or performance. Financial impact below 10%.

Appendix B

Risk Management Framework

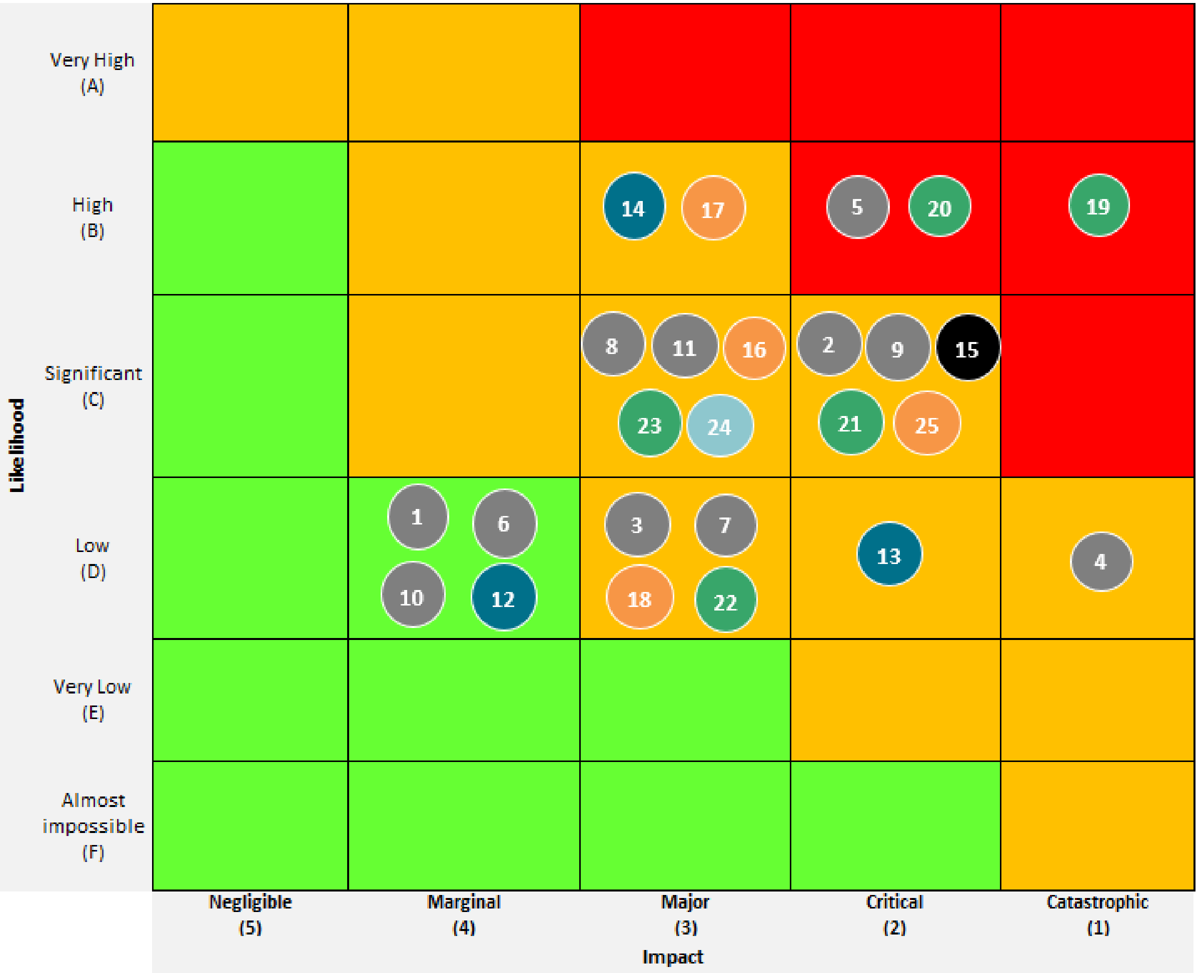
In accordance with ISO 31000:2018 guidance

EASTSUFFOLK COUNCIL



Appendix C

Corporate Risk Register



Reference:

** Risks with external threat*

Current Risks:

Governance / CLT (Governance)

(1) Potential outbreak of pandemics*
(2) Capacity to deliver Council's aims/aspirations
(3) Ethical Standards
(4) Fire incident(s) social & temporary housing assets
(5) Import checks req'd in Target Operating Model
(6) Physical and mental wellbeing
(7) Health and safety
(8) Recruitment
(9) Housing Regulation Breaches
(10) Equalities
(11) Accountable Body for Freeport East

Financial Sustainability / CLT (Financial)

(12) Contracts/Partnerships *(under review)*
(13) Sustainable MTFS (for General Fund, HRA & Capital Programme)
(14) Subsidy Control Compliance and Reporting

Digital

(15) Cyber attacks (ICT failure)*

Enabling Communities

(16) Safeguarding the vulnerable
(17) Cost of living crisis*
(18) HRA (MTFS) funding to deliver services & progs
(25) Anti-Social behaviour

Environment

(19) Flood risk*
(20) Major coastal erosion/incident)*
(21) Flooding/tidal surges (Lowestoft)*
(22) Carbon Neutral
(23) Oil deposits on Gunton Beach*

Economy

(24) Sizewell C*

Agenda Item 7

ES/1767

AUDIT & GOVERNANCE COMMITTEE

Monday, 08 January 2024

Subject	Whistleblowing Policy
Cabinet Member	Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money Councillor Tim Wilson Assistant Cabinet Member for Resources and Value for Money
Report Author and Head of Service	Siobhan Martin Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk 01394 444254
Chief Executive	Chris Bally Chief Executive chris.bally@eastsuffolk.gov.uk 01502 523210

Is the report Open or Exempt?	OPEN

Category of Exempt Information and reason why it is **NOT** in the public interest to disclose the exempt information.	Not Applicable.
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report: To provide a strategic overview to Members of the Audit and Governance Committee of the updated Whistleblowing Policy and to acknowledge the confidential protected disclosure procedures to be undertaken within the council when dealing with a" Whistleblower". To ensure Members are aware of the procedures etc.
Options: No alternative options are presented in relation to this Policy

Recommendation/s: That having commented upon its contents, the Audit and Governance Committee approves the refreshed Whistleblowing Policy.

Corporate Impact Assessment

Governance: This refreshed Whistleblowing Policy supports the Council's governance framework by setting out how the council will respond to anyone reporting a protected disclosure. Protected disclosures may identify breaches of law or the proper practices that are expected for a well-governed local authority.
ESC Fraud policies and strategies that directly apply to the proposal: This report has links to the Council's: • Anti-Fraud and Corruption Strategy • Anti Bribery Policy • Corporate Fraud Policy and response Plan • Code of Corporate Governance
Environmental: This report does not include direct links to the Council's strategic environmental aims.
Equalities and Diversity: This report does not require the completion of an Equalities Impact Assessment.
Financial: This report has some potential financial implications due to its purpose in providing a legal gateway in which the Whistleblower can report confidentially any irregular activity within the Council and/or partnerships that may have financial implications and/or affect the Health and Safety of the public etc.
Human Resources: Currently this report does not have any direct staffing implications.
ICT:

This report does not have any direct ICT (Information Communications Technician) implications.
Legal: This report addresses how the Council will meet the statutory responsibilities set out in the Public Interest Disclosure Act 1998.
Risk: This Whistleblowing policy sets out how the Corporate Fraud Service will reduce the risk of irregularities within the council and/or its partnerships, by enabling workers to report concerns confidentially. This may impact any risk affecting the council, including but not limited to financial loss, health and safety of staff and the public, or legal non-compliance.

External Consultees:	No external parties were consulted in the preparation of this report.

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: *(Select only one primary and as many secondary as appropriate)*		**Primary priority**	**Secondary priorities**
T01	**Growing our Economy**		
P01	Build the right environment for East Suffolk	☐	☐
P02	Attract and stimulate inward investment	☐	☐
P03	Maximise and grow the unique selling points of East Suffolk	☐	☐
P04	Business partnerships	☐	☐
P05	Support and deliver infrastructure	☐	☐
T02	**Enabling our Communities**		
P06	Community Partnerships	☐	☐
P07	Taking positive action on what matters most	☐	☐
P08	Maximising health, well-being and safety in our District	☐	☐
P09	Community Pride	☐	☐
T03	**Maintaining Financial Sustainability**		
P10	Organisational design and streamlining services	☐	☐
P11	Making best use of and investing in our assets	☐	☐
P12	Being commercially astute	☐	☐
P13	Optimising our financial investments and grant opportunities	☐	☐
P14	Review service delivery with partners	☐	☐
T04	**Delivering Digital Transformation**		
P15	Digital by default	☐	☐
P16	Lean and efficient streamlined services	☐	☐
P17	Effective use of data	☐	☐
P18	Skills and training	☐	☐
P19	District-wide digital infrastructure	☐	☐
T05	**Caring for our Environment**		

P20	Lead by example	☐	☐
P21	Minimise waste, reuse materials, increase recycling	☐	☐
P22	Renewable energy	☐	☐
P23	Protection, education and influence	☐	☐
XXX	**Governance**		
XXX	How ESC governs itself as an authority	☒	☐
How does this proposal support the priorities selected?			
The updated Council's Whistleblowing Policy is the Council's response to handling Protected Disclosures under the Public Interest Disclosure Act. Nationally it is a key element in any Council's governance framework, designed to reduce the risk of fraud, corruption, and abuse in the delivery of local services			

Background and Justification for Recommendation

1	Background facts
1.1	As a local authority, East Suffolk Council has a responsibility to hold itself to the highest standards of governance in the performance of its duties.
1.2	People who work for the council, or are involved in the council's work, are often the first to know if anything goes wrong and can therefore play a key role in identifying issues and preventing problems. The Public Interest Disclosure Act 1998 provides legal protection to encourage workers who are willing to come forward with legitimate concerns. The term 'whistleblowing' is the common phrase given to disclosures made under the Public Interest Disclosure Act 1998. Regardless of the law, the Councils position is, and always has been, that we want to know if something is going wrong.
1.3	The Council's Whistleblowing Policy was last reviewed in January 2019 by the Audit and Governance Committees of Suffolk Coastal District Council and Waveney District Council.

2	Current position
2.1	The Audit and Governance Committee's terms of reference include the responsibility to "Review the Council's Whistleblowing Policy".
2.2	The previous Whistleblowing Policy dated 2019 has been fully refreshed. The refreshed Policy continues to encourage staff to report concerns and sets out how East Suffolk Council will respond.

3	How to address current situation
3.1	The council needs to ensure its corporate policies are up to date in order to maintain good corporate governance. A refreshed Whistleblowing Policy is necessary to ensure it provides appropriate advice to staff and other stakeholders.

4	Reason/s for recommendation

4.1	To fulfil the Audit and Governance Committee's responsibility to review the council's Whistleblowing Policy.

Appendices

Appendices:	
Appendix A	East Suffolk Council Whistleblowing Policy

Background reference papers:
None

EASTSUFFOLK
COUNCIL

Whistleblowing Policy

Our policy on Handling Protected Disclosures under the Public Interest Disclosure Act

Policy owner: Siobhan Martin, Head of Internal Audit Services
Issue date: December 2023
Review date: December 2025

About this policy

This policy sets out the Council's position on those situations where members of staff and others want to tell us about things, they're worried that the Council is doing wrong.

Although this policy sets out specific rights that arise under employment legislation, the Council sees *Whistleblowing* as a natural extension of a policy of seeking to provide the best possible service to the public, and to be the best possible employer to its staff and others.

Regardless of the law, the Council's position is, and always has been, that we want to know if something is going wrong, so please tell us.

The Council guarantees that it will never treat anyone unfairly as a result of them sharing their genuinely held concerns with it.

This policy tells you how, in addition to the Council's guarantees, the *Public Interest Disclosure Act* protects employees and other staff who make a *protected disclosure* about a matter of concern

This policy sets out what to do if staff and others or others have concerns about certain improper or unlawful activities covered by the *Public Interest Disclosure Act*.

The policy also signposts those procedures the Council will use in receiving, handling, and investigating disclosures and tells anyone wishing to make a disclosure the best way of going about it.

If you have concerns NOT covered by this policy, we still want to hear them. The Council has processes for dealing with crime against the Council, mistreatment of staff and others and inefficient working practices. Any manager or *Designated Whistleblowing Specialist* can give you further information about this.

If you have any questions about this policy or the processes involved, please contact the *Whistleblowing Lead* or any *Designated Whistleblowing Specialist* for advice and assistance.

Index

1. Formal statement of our policy

This policy aims to enable and encourage workers to raise concerns within the Council. It recognises a worker's legal rights to make a protected disclosure to certain prescribed persons or bodies under the *Public Interest Disclosure Act 1998* and any subsequent legislation, as incorporated into the *Employment Rights Act 1996*.

The Council is committed to the highest possible standards of openness, propriety, and integrity. In line with this commitment, workers with serious concerns about unlawful conduct, financial malpractice or dangers to the environment, employees and other Council workers, the public or the Council's reputation are encouraged to come forward and voice those concerns. The Council recognises that staff, and those working with us, are often the first to realise that there may be something seriously wrong within an organisation.

It is important to the Council that any fraud, misconduct or wrongdoing by workers or officers of the organisation is reported and properly dealt with. The Council is committed to tackle malpractice and wrongdoing. Everyone should be aware of the importance of preventing and eliminating wrongdoing at work. If any cases of wrongdoing are upheld, they will be seriously dealt with.

The Council encourages workers to use internal mechanisms for reporting malpractice or illegal acts or omissions by employees or ex-employees. Concerns will <u>always</u> be listened to and investigated appropriately. **The Council will never tolerate or support any mistreatment of those who raise genuine concerns.**

The Council will ensure that they have appointed and trained an appropriate number of specialists who are able to receive disclosures from workers and provide them with advice and support ('*Designated Whistleblowing Specialists*', see Appendix 1).

The Council will provide regular training to all managers to ensure that they may deal with disclosures appropriately.

This policy will be available to all staff on the Council's intranet, so that they are aware of whistleblowing law and know how to use this policy. It will, from time to time, provide appropriate refresher training.

Adequate resources will be made available to fulfil the aims of this policy. The policy will be widely promoted, and copies will be freely available through the Council's intranet.

The Council understands that raising a concern can feel difficult to do, especially if there is fear of reprisal from those responsible for the malpractice. We will not tolerate harassment and victimisation of anyone raising a concern, or any attempts to bully a person into not making a report, and there should be no impact on the continued employment and opportunities for future promotion or training of anyone raising a concern. Any such behaviour is a serious breach of the Council's values and, if upheld following investigation, will result in disciplinary action potentially leading to dismissal.

2. Definitions and explanations

Whistleblowing is the common name given to statutory law. This policy has been prepared in response to the Employment Rights Act 1996 and the Public Interest Disclosure Act 1998. These documents set out a framework for raising genuine concerns and providing guarantees of full protection to employees and other Council workers who raise such issues. This policy also incorporates the principles and timescales set out in the EU Whistleblowing Directive 2019/1937.

This policy applies to all individuals who could find themselves in a position of economic vulnerability if retaliatory measures occur as a consequence of reporting a concern. This includes staff, former staff, temporary and casual staff, agency workers, volunteers, trainees, self-employed persons providing services, freelance workers, contractors, subcontractors and suppliers. This policy uses the term *worker* to encompass all the above.

The Council has appointed a number of *Designated Whistleblowing Specialists* and a *Whistleblowing Lead* – who leads the *Designated Whistleblowing Specialists* group in whistleblowing matters. Details of who has been appointed and how to contact them are given in Appendix 1.

For the purpose of this policy, whistleblowing is the passing on of information by a worker about wrongdoing at work in the statutory categories set out in the Public Interest Disclosure Act. Passing on of such information is called *a protected disclosure* and the person making the disclosure is called a *whistleblower*.

The **statutory categories** for wrongdoing are:

- a criminal offence (such as insurance fraud or illegal tax evasion)
- a breach of any legal obligation
- a miscarriage of justice
- endangering an individual's health and safety
- damage to the environment
- deliberate concealment of information about any of the above.

The following are examples (and not an exhaustive list) of issues that may be raised:

- Health and safety risks, including risks to the public or other employees
- Sexual or physical abuse of both employees and clients
- Damage to the environment
- Unauthorised use of public funds
- Theft or abuse of Council property
- Possible fraud and corruption
- Other unethical conduct
- Abuse of children and vulnerable adults
- Actions which are intended to conceal any of the above.

To be a **protected disclosure**, the following additional conditions must also be fulfilled:

- The person making the disclosure must be an employee or other Council worker as defined
- The disclosure must be made lawfully and without breaching legal professional privilege
- It must be made in the public interest
- The person making the disclosure must not act maliciously or make false allegations; and
  The person making the disclosure must not seek any personal gain for it (where a disclosure has been made to a third party) such as financial payments, gifts or any other benefit or advantage

In order to raise the concern a worker should have reasonable belief that wrongdoing is being, has been, or is likely to be committed. However, it is not necessary to have proof or certain knowledge. The whistleblower has no responsibility for investigating the wrongdoing and **MUST NOT** do so. It is the Council's responsibility to investigate reports.

A member of staff who makes a protected disclosure has the right in law not to be dismissed, subjected to any other detriment, or victimised, because they have made a disclosure. This includes cases where the subsequent investigation into the concern did not identify wrongdoing.

The Council recognises that any so-called 'gagging' or confidentiality clauses in settlement agreements or non-disclosure agreements with individuals do not prevent workers from making disclosures in the public interest and are void in such circumstances.

If the wrongdoing that a worker wants to disclose is not included in the list above, they should use another route to raise their concerns or seek advice. For example, this policy does not cover any concerns staff might have about employment matters that affect only them (unless these also fall into one of the categories set out above); those types of concern should be addressed through the Council's grievance policy, which may be found on the intranet.

If a worker is unsure of the correct route to take, advice is available from their line manager, from a *Designated Whistleblowing Specialist* (see appendix 1) or from an external advice body (see appendix 2).

The Council recognises that employees may feel nervous when reporting concerns in line with this policy and are happy for them to be supported by a colleague when going through the process.

This policy complements but does not replace the Council's procedures for internal and external complaints.

Other relevant policies and routes

To tell us about **inefficient business practice**, you should speak first to your line manager.

If you are not satisfied with the outcome, you may approach any relevant member of the senior leadership team.

Complaints about treatment at work are covered by the Council's ***Grievance Procedures***, which may be found on SharePoint.

For help or advice, you could approach someone in your line of management, the Council's *human resources* team, a union representative or your professional body.

External complaints are covered by the Council's ***Customer Feedback Process and Procedure***, which may be found on SharePoint.

Further advice may be sought from the Council's Customer Feedback Team.

Covert Human Intelligence Sources who provide the council with **intelligence** are covered by the ***Covert Investigation Policy***, which may be found on SharePoint.

Further advice may be sought from the Council's Corporate Fraud team.

3. Roles and responsibilities

Adoption, review and revision

The responsibility for adopting this policy and ensuring that it is kept up to date rests with the Audit & Governance Committee.

This policy will be reviewed periodically by the Council's Audit & Governance Committee, with advice from the *Whistleblowing Lead*.

The *Whistleblowing Lead* will ensure that the policy remains both up-to-date with the current legal position and an example of best practice in the field. This includes appointing *Designated Whistleblowing Specialists* who are appropriately trained.

The Corporate Leadership Team is responsible for ensuring that the policy is drawn to the attention of, and appropriately explained to, all relevant people. Senior managers will, through their actions, demonstrate their commitment to developing an open culture within the organisation.

Workers

People who work for or alongside an organisation are often the first to know about any unlawful activities or abuse of law and are, therefore, in a privileged position to inform those who can address the problem.

This policy is designed to show workers that they will be protected if they report an issue in good faith. Workers should report wrongdoing in line with this policy. As public servants, and as those working alongside a local authority, it is not acceptable for workers to ignore wrongdoing.

The Council directs all staff to cooperate fully with any whistleblowing investigation. Except insofar as the law allows a person not to self-incriminate, failure to cooperate is likely to amount to misconduct which would lead to a disciplinary investigation.

Line Mangers

Line managers are responsible for:

- ensuring all workers are aware of this policy and procedure and their responsibilities
- accurately recording in writing any whistleblowing concerns raised to them, and reporting those concerns promptly to the *Whistleblowing Lead*
- investigating issues, but only when asked to do so by the *Whistleblowing Lead*
- fostering an open culture within their teams
- ensuring any whistleblower is not subject to detriment

Whistleblowing Lead

The *Whistleblowing Lead* has lead responsibility for the whistleblowing procedure and for dealing with issues raised. If the *Whistleblowing Lead* is unavailable for any reason, a *Deputy Whistleblowing Lead* will fulfil the following responsibilities. The *Whistleblowing Lead* will:

- oversee and review the whistleblowing policy and procedure
- provide advice and support to managers and employees

- ensure learning from whistleblowing cases is fed back to the wider organisation
- designate a competent and impartial person or department to investigate any reported issues promptly and thoroughly
- follow up any reported concerns
- ensure managers are only asked to investigate matters if they have been trained in dealing with such issues
- inform the *Chief Executive* of any findings of wrongdoing and the actions being taken
- ensure the process is monitored and improved where required

Designated Whistleblowing Specialists

Appendix 1 lists all those appointed as *Designated Whistleblowing Specialists.* These specialists will act as an independent and impartial source of advice to workers at any stage of raising a concern. They will:

- treat the concern confidentially unless otherwise agreed.
- ensure the worker receives timely support to progress their concern.
- escalate to senior management any indications that a whistleblower is being subjected to detriment for raising their concern.
- remind the organisation of the need to give the whistleblower timely feedback on how their concern is being dealt with; and
- advise the whistleblower on how to access to personal support as it is recognised that raising such a concern may be stressful.

4. Raising a concern

For the effective detection and prevention of improper acts or omissions, it is vital that the relevant information reaches swiftly those closest to the source of the problem, most able to investigate and with powers to remedy it, where possible. For that reason, workers are encouraged to raise any concerns internally if appropriate to do so.

Initially, current and former staff should raise any concern with their immediate line manager. Workers who are not directly employed by the council may raise a concern with the relevant East Suffolk Council line manager for the area the worker has been involved in. This does depend however on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. If a worker believes that their management is involved or are uncertain who to contact they should approach any *Designated Whistleblowing Specialist*.

Workers should raise concerns at the earliest opportunity once there is reasonable belief that an issue exists or could exist in the future so that timely action can be taken.

Workers may raise concerns by leaving a message and contact details on the Council's **Whistleblowing Hotline,** in person by meeting with a line manager or any of the *Designated Whistleblowing Specialists*, or in writing by post or email to a line manager or any of the *Designated Whistleblowing Specialists*.

If a worker needs advice and guidance on how matters of concern may be raised or pursued, please contact any of the *Designated Whistleblowing Specialists* or leave a message on the Council's Whistleblowing Hotline.

Whistleblowing Hotline

01394 444222

To engage protection as a whistleblower, workers should have reasonable grounds to believe, in light of the circumstances and the information available to them at the time of reporting, that the matters reported by them are true. Appendix 3 gives a visual guide on how to report a concern and the initial steps that will be taken, whilst the table on the following page details the conditions for engaging protection as a whistleblower.

If a worker does not feel able to raise a concern internally, they may choose to raise concerns in the public interest externally with 'prescribed bodies'. These are listed in section 6. Before deciding to do this, workers should be aware when making an external report that to qualify for the protections available under the Public Interest Disclosure Act additional conditions need to be met in order.

If the disclosure is made to:

- **the employer** it must arise from a reasonable suspicion that the alleged malpractice has occurred, is occurring or is likely to occur;
- **a regulator i.e. Health and Safety Executive,** in addition it must be honestly and reasonably believed that the information and any allegations contained are substantially true;
- **other bodies (Police, media, MP etc),** in addition to the tests for regulatory disclosure, no personal gain will be made from the disclosure; and
- in all circumstances, that it is reasonable for the disclosure to be made.

If the disclosure is made to **other bodies**, further preconditions apply. It must be:

- reasonably believed that they would be victimised if the matter was raised internally;
- reasonably believed that the disclosure related to a criminal offence;
- the case that there is no prescribed regulator, and it was believed that relevant information would be concealed or destroyed;
- that the concern has already been raised with the employer or regulator; or
- that the concern is of an "exceptionally serious" nature.

5. How we deal with reports

When a worker makes a *protected disclosure*, the person it is reported to ('the receiving officer') will consult with the *Whistleblowing Lead*, or if unavailable the *Deputy Whistleblowing Lead*.

Protected disclosures must always be noted in writing by the receiving officer, who will pass the details to the *Whistleblowing Lead* within 24 hours. In cases where there is an immediate and serious risk disclosed, the receiving officer will contact the *Whistleblowing Lead* by telephone straight away, or the *Deputy Whistleblowing Lead* if the *Whistleblowing Lead* is unavailable.

The *Whistleblowing Lead* will nominate a competent and impartial person to investigate any reported issues promptly.

In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle, which the Council will have in mind, is the public interest. Concerns raised or allegations made which fall within the scope of other specific procedures (for example harassment or discrimination issues) will normally be referred for consideration under those procedures. Regardless of the actions taken by the Council, whistleblowers will be protected by this policy and the law for all valid concerns they raise, even if these are subsequently determined to not be in the public interest or to be honest 'mistakes of fact' in reporting.

The person nominated to undertake initial enquiries will contact the reporting person **within seven days** of the disclosure to confirm receipt of the report and provide details of what will happen next.

If the *Whistleblowing Lead* believes it is appropriate so to do, they may advise the Chief Executive or other senior officer of the nature (and, in some cases, the content) of the disclosure. **Any person being so informed is bound by a strict duty of confidentiality and must not discuss the disclosure with any other person or organisation without the consent of the *Whistleblowing Lead*.**

Following initial enquiries by an impartial person the Council will respond to the concern, as appropriate. The action taken by the Council will depend on the nature of the concern. At the sole discretion of the *Whistleblowing Lead*, the matters disclosed may:

- Be investigated by the Council's Internal Audit and Corporate Fraud Team;
- Be investigated by a *Designated Whistleblowing Specialist*;
- Be investigated by another appropriate person (either from within or outside the Council);
- Be referred to the police or the external auditor;
- Be referred to two or more of these (to work together on the investigation); or
- Form the subject of an independent inquiry.

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

If the investigation is internal to or under the control of the Council, the investigating officer nominated by the *Whistleblowing Lead* will maintain communication with the whistleblower and provide feedback. Wherever possible they will:

- indicate how the Council proposes to deal with the matter. (Where appropriate follow-up is still being determined, providing an estimate of when the whistleblower can expect this feedback);
- give an estimate of how long it will take to provide a final response (normally this should not exceed three months, however complex cases may require a longer timescale of up to six months),
- advise whether any initial enquiries have been made;
- advise whether further investigations will take place, and if not, explain this decision; and
- indicate how the Council will proceed where the informant has chosen to remain anonymous.

The amount of contact between the officers considering the issues and the whistleblower will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided. If further contact is needed, it will be made in a way which does not arouse suspicion in the workplace. The whistleblower will normally be asked to suggest a method of contact that they feel comfortable with.

When any meeting is arranged with an employee or other Council worker, they have the right, if they so wish, to be accompanied by a trade union or professional association representative or a workplace colleague who is not involved in the area of work to which the concern relates. The measures for the protection of whistleblowers set out in this policy also apply, so far as is relevant, to those involved in supporting the whistleblower.

The Council will take steps to minimise any difficulties which whistleblowers may experience as a result of raising a concern. For instance, if whistleblowers are required to give evidence in criminal or disciplinary proceedings, advice about the procedure and support will be given.

If the investigation is internal to or under the control of the Council, the investigating officer nominated by the *Whistleblowing Lead* will detail the outcome of the investigation in a written report. The report will outline the findings of the investigations and reasons for the judgement made. This report is owned by the *Whistleblowing Lead* who will determine distribution.

Where an investigation identifies governance, risk management or internal control failures, the *Whistleblowing Lead* may supplement the whistleblowing investigation by commissioning a separate Internal Audit review.

The Council recognises that whistleblowers need to be assured that the matter has been properly addressed. Thus, subject to any legal constraints, whistleblowers raising a concern will receive information about the outcome of any investigation.

6. Reporting concerns to external bodies

This policy is intended to provide a route by which members of staff and others can raise concerns internally.

If a worker does not feel able to raise their concern internally they may choose to raise concerns externally with '**prescribed persons or bodies**'. Details are provided in section four about the additional requirements for gaining the protections available under the Public Interest Disclosure Act if reports are made other than to the Council. If a whistleblower does take the matter outside the Council, they should be careful not to disclose confidential information, and ensure that they comply with the requirements of the Public Interest Disclosure Act so that they do not lose the protection of the Act against dismissal or other detriment.

If a whistleblower has reported a matter internally but is not satisfied that the concern has been properly dealt with, they should first raise it with the *Whistleblowing Lead*. If still unsatisfied and it is necessary and in the public interest, the whistleblower may also consider raising concerns externally to **prescribed persons or bodies**.

The full list of **prescribed persons and bodies** can be found on the UK government website at www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies. This includes:

- ✓ HM Revenue & Customs
- ✓ the Comptroller and Auditor General
- ✓ the Director of the Serious Fraud Office
- ✓ the Charity Commission for England and Wales
- ✓ the Information Commissioner
- ✓ the Equality and Human Rights Commission
- ✓ the Health and Safety Executive
- ✓ the Care Quality Commission
- ✓ the Environment Agency

If, instead of going to a prescribed person a worker chooses to make a disclosure to an '**other body**', such as the media or a Member of Parliament (MP) they should note that further conditions (set out in the table under section 4) apply.

Note: those who receive payment for a disclosure (which may be especially relevant in dealings with the media) are unlikely to receive the protections discussed in this policy.

7. Confidentiality and anonymity

Workers may be concerned about reporting their concerns, notwithstanding the guarantees made by the Council and provided by law. That is why we want to reiterate how seriously we take those concerns and our commitment to protecting our *whistleblowers*.

As far as it is possible to do so, the Council will not reveal the identity of any *whistleblower* to the subject of the disclosure or to any other person or body that is not involved in the investigative process**. All Line Managers and Designated Whistleblowing Specialists must keep details of whistleblowing reports and the person who made them confidential.**

In the exceedingly unlikely circumstance that the Council considered it might be appropriate to disclose a *whistleblowers* identity to anyone not involved in investigating the concern, the designated investigating officer would ALWAYS discuss this with the whistleblower first and make sure protective measures were put in place and the reason for considering a disclosure was clearly explained.

Sometimes (if, for example, the Council was to discipline or prosecute someone) there might need to be a hearing and the *whistleblower* might be required to give evidence. If this were to happen, the council would take all reasonable steps to protect the identity of the *whistleblower* (such as screened or pre-recorded evidence, when available) but, on occasion, the Council might be required to disclose their identity.

The council asks that whistleblowers give us a name when making a *protected disclosure*. There are many reasons for this:

1. We want to make sure that we are able to look after you and protect your rights, and it's harder for us to do this if we don't know who you are.
2. When you make a disclosure, you will tell us what you think we need to know but, in our experience, *whistleblowers* often know other things that they don't realise are important to the investigation. If you were to accidentally omit a key detail when making a report, we may not properly understand what it is that you are telling us about and, therefore, not be able to investigate you concern properly. This is why the appointed investigator would like to be able to contact you, if they have any questions.
3. Sometimes the nature of a *protected disclosure* is such that, rather than an investigation (or prior to an investigation) immediate action could be taken; we would often want to agree this with you.
4. At the end of the investigation, we'd like to be able to tell you (as far as the law allows us to) of the outcome and the steps we've taken or are going to take. Sometimes we might want to discuss a proposed course of action with you before taking it.

Potential whistleblowers should be aware that the protection of confidentiality may not apply where an individual intentionally reveals his or her identity in the context of a public disclosure.

Although the Council encourages whistleblowers to provide contact details, a worker is still able to raise a concern anonymously. However, workers should be aware that if concerns are reported anonymously they may find it harder to argue that any subsequent unfair treatment was as a result of the whistleblowing.

The Council suggests a whistleblower wishing to remain anonymous should consider using an anonymous email account so that the Council can respond and communicate details of the investigation. Anonymous whistleblowers may wish to keep copies of all correspondence to demonstrate that a concern was raised.

Appendix 1 - *Designated Whistleblowing Specialists*

In addition to approaching your line manager, you may raise concerns with a senior manager in the Council. You may prefer to speak to a ***Designated Whistleblowing Specialist***.

The Council has appointed the following ***Designated Whistleblowing Specialists***.

Who	***Whistleblowing Role***
Siobhan Martin, Head of Internal Audit Services Email siobhan.martin@eastsuffolk.gov.uk Phone 01394 444254	Whistleblowing Lead; and Designated Whistleblowing Specialist
Sheila Mills-James, Corporate Fraud Manager Email sheila.mills@eastsuffolk.gov.uk Phone 01394 444292	Deputy Whistleblowing Lead; and Designated Whistleblowing Specialist
Laura Fuller, Audit Manager Email laura.fuller@eastsuffolk.gov.uk Phone 01394 444562	Deputy Whistleblowing Lead; and Designated Whistleblowing Specialist
Chris Bally, Chief Executive Email chris.bally@eastsuffolk.gov.uk Phone 01502 523210	Designated Whistleblowing Specialist
Chris Bing, Monitoring Officer Email chris.bing@eastsuffolk.gov.uk Phone 01394 444408	Designated Whistleblowing Specialist
Frances Wykes, Principal Auditor Email frances.wykes@eastsuffolk.gov.uk Phone 01394 444248	Designated Whistleblowing Specialist

Appendix 2 - Support and advice

Our *Designated Whistleblowing Specialists* are trained in how to support you, but we understand that you might like to seek advice or support from someone else before, during or after making a report. These are some other sources available.

Protect

Website: https://protect-advice.org.uk
Protect Advice email: whistle@protect-advice.org.uk
Protect Advice Line: 020 3117 2520 (* option 1)

UK Government

UK government advice on 'Whistleblowing for employees'
Website: https://www.gov.uk/whistleblowing

ACAS

ACAS guidance on 'Whistleblowing at work'
Website: https://www.acas.org.uk/whistleblowing-at-work

Employee Assistance Programme

Confidential support is available for individual employees from the employee assistance programme, and this may include counselling if appropriate, in addition to practical information and advice.

Details of the programme are available on the Council's Intranet HR Pages, or via HR@eastsuffolk.gov.uk

Ernst & Young LLP (The Council's External Auditor)

Telephone: 01582 643000
Address: Debbie Hanson, Ernst & Young LLP, 400 Capability Green, Luton, Bedfordshire LU1 3LU

The Comptroller and Auditor General

Telephone: 020 7798 7999
Website: https://www.nao.org.uk/contact-us/whistleblowing-disclosures/

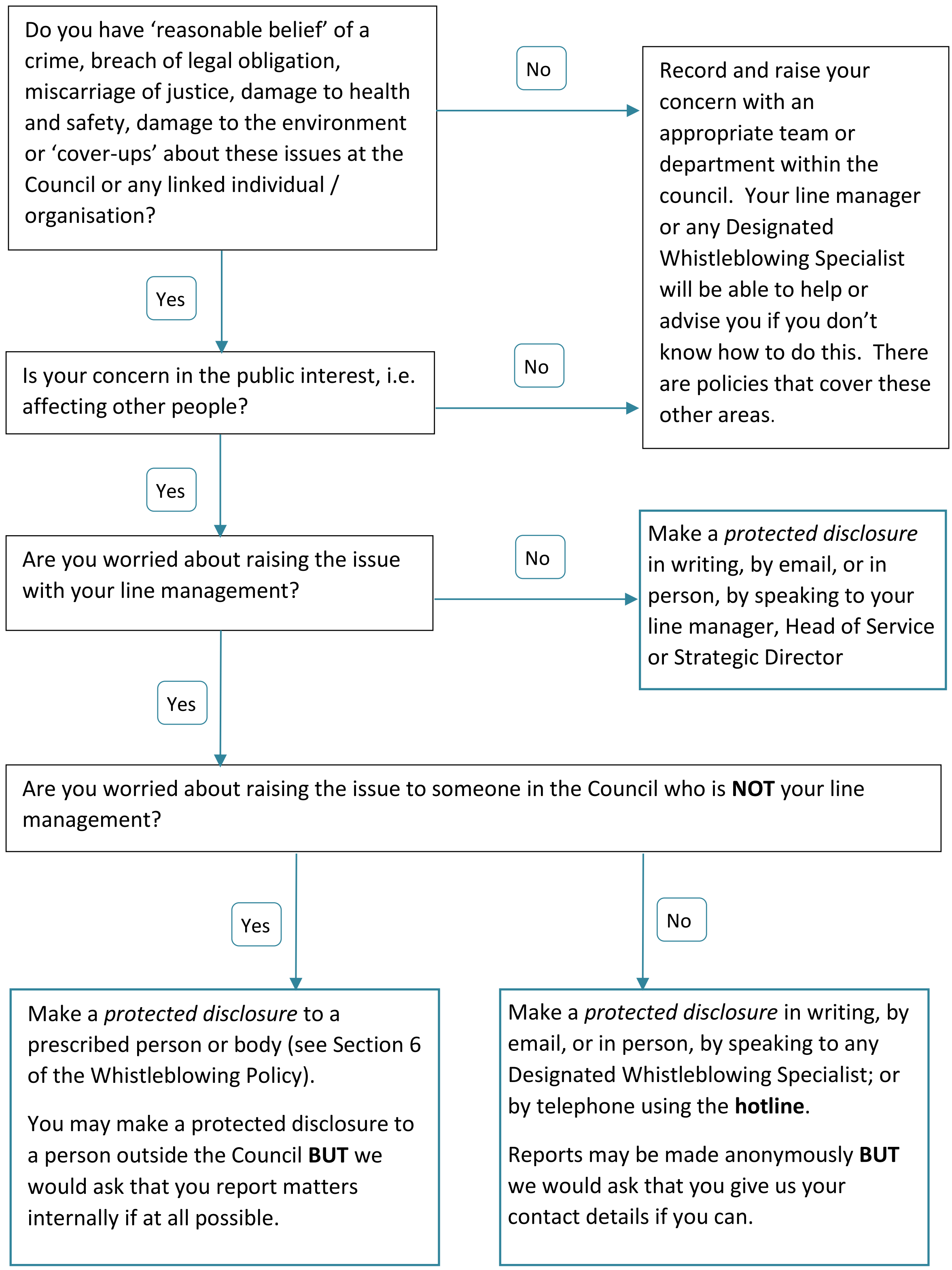
Police

Telephone: 101
Website: https://www.suffolk.police.uk/contact-us/report-something

Member of Parliament

Contact details for any Member of Parliament are available online
Website: https://members.parliament.uk/

Appendix 3 - How to Report Whistleblowing



IF IN DOUBT, SEEK ADVICE BEFORE DISCLOSING ANYTHING THAT MIGHT BE CONFIDENTIAL.