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The Chair and Members of Standards  
and Audit Committee

18 September 2018

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on WEDNESDAY, 26 SEPTEMBER 2018 at 2.00 pm in Committee Room 1, Town Hall, Rose Hill, Chesterfield, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

1. Declarations of Members' and Officers' Interests relating to Items on the Agenda
2. Apologies for Absence
3. Minutes (Pages 3 - 10)
4. Summary of Internal Audit Reports Issued (Pages 11 - 16)
5. Outstanding Internal Audit Recommendations (Pages 17 - 28)
6. Anti-Fraud Bribery and Corruption Strategy (Pages 29 - 54)
7. Treasury Management Annual Report 2017/18 and Monitoring Report 2018/19 (Pages 55 - 72)

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Randy', written in a cursive style.

Local Government and Regulatory Law Manager and Monitoring Officer

**STANDARDS AND AUDIT COMMITTEE****Wednesday, 25th July, 2018**

Present:-

Councillor Rayner (Chair)

Councillors Derbyshire

Councillors

Hollingworth

\*Matters dealt with under the Delegation Scheme

**13 DECLARATIONS OF MEMBERS' AND OFFICERS' INTERESTS  
RELATING TO ITEMS ON THE AGENDA**

No declarations were received.

**14 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Caulfield, Bean and Diouf.

**15 MINUTES****RESOLVED –**

The Minutes of the previous meeting of the Standards and Audit Committee held on 23 May and 6 June, 2018 were approved and signed by the Chair as a correct record.

**16 LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PUBLIC****\*RESOLVED –**

That under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

**17 VERBAL UPDATE ON PROCUREMENT**

The Assistant Director – Customers, Commissioning and Change provided a report on the progress of the recommendations presented in the internal audit report on procurement.

Progress was being made - an interim consultant had been appointed to advance the work plan and training of managers had commenced.

The Committee thanked the Assistant Director for attending.

**\*RESOLVED –**

That the update be noted.

**18 NATIONAL AUDIT OFFICE - CYBER SECURITY AND INFORMATION RISK GUIDANCE FOR AUDIT COMMITTEES**

The Monitoring Officer/Senior Information Risk Owner and Information and Assurance Manager attended to present the National Audit Office guidance on cyber security for audit committees.

The National Audit Office guidance recommended how best audit committees could exercise their responsibilities in relation to cyber security. Various checks and tests against which an organisation's cyber security could be assessed were included in the guidance.

Six areas for improvement had been identified by officers for Chesterfield Borough Council.

**\*RESOLVED –**

1. That the report be noted.
2. That an annual update be brought to the Standards and Audit Committee.

**19 LOCAL GOVERNMENT ACT 1972 - RE-ADMISSION OF PUBLIC****\*RESOLVED –**

That after consideration of items containing exempt information, the public be re-admitted to the meeting.

## 20 **SUMMARY OF INTERNAL AUDIT REPORTS ISSUED 2018/19**

The Internal Audit Consortium Manager presented a report summarising the internal audit reports issued during the period 1 April 2018 to 15 June 2018, in respect of reports issued relating to the 2018/19 internal audit plan.

It was noted that five reports had been issued during this period and had been given the following levels of assurance:

- 'Substantial Assurance' – 1
- 'Reasonable Assurance' – 2
- 'Limited Assurance' – 2

The Committee welcomed the Assistant Director – Commercial Services to discuss the Limited Assurance audit report on 'OSD Property Safety Inspections' issued on 16 May, 2018.

The Assistant Director provided a verbal update on each recommendation and how they were being addressed. Members were advised that as per the Implementation Schedule, at Appendix C of the officer's report, all but one of the recommendations had been accepted. Recommendation 11 had not been accepted and the Assistant Director explained this was because the work was currently subcontracted to a HEATAS qualified organisation.

The Committee thanked the Assistant Director – Commercial Services for attending.

The Committee welcomed the Assistant Director – Housing and the Careline and Support Service Manager to discuss the Limited Assurance audit report on 'Careline' issued on 25 May, 2018.

It was noted that all of the recommendations within the Implementation Schedule, at Appendix D of the officer's report, had been accepted. Members received a verbal update on how each recommendation had been addressed.

The Committee thanked the Assistant Director – Housing and the Careline and Support Service Manager for attending.

**\* RESOLVED –**

1. That the report be noted.
2. That OSD Property Safety Inspections be included in the 2019/20 internal Audit.
3. That an OSD Property Safety Inspections progress update be brought to the committee meeting on 28 November, 2018.
4. That properties with a change of tenant in the last 18 months be reinspected if the safety inspection for carbon monoxide and smoke alarms has not been fully documented.
5. That all smoke detector and carbon monoxide testing be fully documented and recorded on the keystone system over the next cycle.

**21 INTERNAL AUDIT CHARTER**

The Internal Audit Consortium Manager submitted a report detailing the results of the Internal Audit Charter review.

The Public Sector Internal Audit Standards (PSIAS) required the head of internal audit to periodically review the Charter and for the findings to be presented to the Standards and Audit Committee. It was agreed that the Charter be reviewed every 2 years, the Charter was last formally approved in June 2016.

The current Charter had been reviewed and was found to be fit for purpose with no updates required.

**\* RESOLVED –**

That the report be noted.

**22 AUDIT REPORT ON THE 2017/18 STATEMENT OF ACCOUNTS**

The Director of Finance and Resources submitted a report on the Statement of Accounts for 2017/18, the 'Letter of Representation' and the External Auditor's 'Report to those Charged with Governance'.

The audited Statement of Accounts was attached to the report at Annexe 1 and included the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, the Disclosure Notices and the Annual Governance Statement.

The Council's external auditors were required to obtain written representations from management in respect of fraud, compliance with laws and regulations, contingent liabilities, related party disclosure and post balance sheet events in the form of a letter of representation. The letter was attached to the report at Annexe 3.

The external auditor was required to 'communicate audit matters to those charged with governance', i.e. the Standards and Audit Committee, and a copy of the external auditor's report was attached to the report at Annexe 3. Mr Richard Walton of KPMG attended the meeting to present the External Auditor's 'Report to those Charged with Governance'.

The report confirmed that following the audit of the accounts a small number of presentational adjustments had been agreed but that these were not considered to be material. The external auditor's report also included the Value For Money (VFM) conclusion and identified one VFM Significant Risk: 'Delivery of Budgets'. It was explained that this conclusion arose from concerns about the reductions in local authority funding alongside service cost and demand pressures.

**\* RESOLVED –**

1. That the Statement of Accounts for 2017/18 be approved.
2. That the Management Letter of Representation be approved and signed by the Chair.
3. That the Report to those Charged with Governance be noted.
4. That a note of thanks be sent on behalf of the Chair and Committee to all persons involved in the production of the Statement of Accounts and its supporting documents.

## **23 RISK MANAGEMENT STRATEGY AND ANNUAL REVIEW**

The Director of Finance and Resources submitted a report on risk management developments during the year 2017/18 and recommended for approval the updated Risk Management Policy, Strategy and Corporate Risk Register for 2018/19.

Extensive work had been carried out in early 2017 to complete 'fact finding' documentation supplied to be used in an insurance tender for all policies. Contracts had been awarded for seven years with an option for the Council to cancel the contract at the end of either year 3 or year 5. This process enabled the Council to achieve annual savings of £187k per annum while maintaining the levels of cover and excesses.

The Committee were informed of the key risks that the Council had faced during 2016/17, as set out in paragraph 7.1 of the officer's report, and were advised of the work undertaken to mitigate the risks.

### **\* RESOLVED –**

1. That the progress made on developing the Council's approach to risk management during 2017/18, be noted.
2. That the Committee recommends that full Council approve the Risk Management Policy, Strategy and the Corporate Risk Register for 2018/19.

## **24 CONSTITUTION UPDATES - FINANCIAL LIMITS**

The Monitoring Officer submitted a report to seek member approval for updates to the Council's Constitution. The current form of the Constitution had been in place since the early 2000s and had followed a standard Government model proposed at the time.

The report noted that the Constitution required changes and updates when necessary to ensure that it reflects current Council practices, functions and structures, as well as enabling efficient working of the authority.



The report recommended changes to the financial thresholds, delegated complaint compensation limits and housing land decisions contained within the Constitution, as listed in paragraph 6 of the officer's report.

**\* RESOLVED –**

1. That the changes to financial thresholds, delegated complaint compensation limits and housing land decisions be agreed.
2. That the other updates to the Constitution be noted.
3. That the current published version of the Constitution be confirmed.
4. That the Committee recommends Cabinet and full Council approve the updated Constitution.

**25 POLITICALLY RESTRICTED POSTS**

The Monitoring Officer presented a report to inform members about the current review of politically restricted posts.

The report detailed the background of politically restricted posts and the different types of political restrictions, either by law or duties, in paragraph 4 of the officer's report.

Until the Localism Act 2011 and the abolition of the legal requirement of local authorities to have a Standards Committee, the Committee had various roles in relation to politically restricted posts. The 2011 Act inserted a new Section 3A in the 1989 Act which vested these roles in the authority's Chief Executive. The Constitution had been amended accordingly.

**\* RESOLVED –**

1. That the report be noted.
2. That the amendments to the Constitution be confirmed.

**26 ANNUAL SELF-ASSESSMENT OF THE STANDARDS AND AUDIT COMMITTEE / CIPFA'S AUDIT COMMITTEES PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES AND POLICE 2018 EDITION**

The Internal Audit Consortium Manager discussed progress of the actions in the Standards and Audit Committee Self-assessment Action Plan, June 2017 with the Committee.

The Committee carried out the self-assessment questionnaire which showed that the overall performance of the Committee was positive.

**\*RESOLVED –**

1. That the results of the self-assessment be noted.

## For publication

### Summary of Internal Audit Reports Issued 2018/19

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Meeting: Standards and Audit Committee

Date: 26th September 2018

Cabinet portfolio: Governance

Report by: Internal Audit Consortium Manager

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## **For publication**

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### **1.0 Purpose of report**

1.1 To present for members' information a summary of Internal Audit Reports issued during the period 16th June 2018 to 31st August 2018 in respect of reports issued relating to the 2018/19 internal audit plan.

### **2.0 Recommendation**

2.1 That the report be noted.

### **3.0 Report details**

3.1 The Public Sector Internal Audit Standards require that the Internal Audit Consortium Manager reports periodically to the Standards and Audit Committee in respect of performance against the audit plan. Significant risk and control issues should also be reported.

3.2 Attached, as Appendix A, is a summary of reports issued covering the period 16th June 2018 to 31<sup>st</sup> August 2018, for audits included in the 2018/19 internal audit plan. This period 2 reports have been issued 1

with substantial assurance and 1 with reasonable assurance.

- 3.3 Appendix A shows for each report a summary of the scope and objectives of the audit, the overall conclusion of the audit and the number of recommendations made / agreed where a full response has been received.
- 3.4 The conclusion column of Appendix A gives an overall assessment of the assurance that can be given in terms of the controls in place and the system’s ability to meet its objectives and manage risk in line with the definitions below.

<b>Assurance Level</b>	<b>Definition</b>
<b>Substantial Assurance</b>	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
<b>Reasonable Assurance</b>	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
<b>Limited Assurance</b>	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
<b>Inadequate Assurance</b>	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

- 3.5 In respect of the audits being reported, it is confirmed that there were no issues arising relating to fraud that need to be brought to the Committees attention.

3.6 The production of this report ensures that Members charged with governance are aware of any internal control weaknesses or fraud identified by internal audit.

#### **4 Alternative options and reasons for rejection**

4.1 The report is for information.

#### **5 Recommendation**

5.1 That the report be noted.

#### **6 Reasons for recommendation**

6.1 To inform Members of the internal audit reports issued in order that the strength of the internal controls in place can be assessed.

#### **Decision information**

<b>Key decision number</b>	N/A
<b>Wards affected</b>	All
<b>Links to Council Plan priorities</b>	This report links to the Council's priority to provide value for money services.

#### **Document information**

Report author	Contact number/email
<b>Jenny Williams - Internal Audit Consortium Manager</b>	<b>01246 345468</b>  <b>Jenny.williams@chesterfield.gov.uk</b>
<b>Background documents</b> These are unpublished works which have been relied on to a material extent when the report was prepared.	
<b>Appendices to the report</b>	
Appendix A	Summary of Internal Audit Reports Issued

**Chesterfield Borough Council – Internal Audit Consortium****Report to Standards and Audit Committee****Summary of Internal Audit Reports Issued 2018/19– Period 16th June 2018 to 31<sup>st</sup> August 2018**

Report Ref No.	Report Title	Scope & Objectives	Assurance Level	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
6	Council Tax	To ensure that Council Tax bills are raised promptly and accurately and that there are debt collection procedures in place	Reasonable	2/7/2018	23/7/2018	24/7/2018	10 (3M 7L)	10
7	Healthy Living Centre Income	To review and assess the controls and procedures in place	Substantial	26/7/2018	16/8/2018	3/8/2018	5L	5

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## For publication

### Outstanding Internal Audit Recommendations

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Meeting: Standards and Audit Committee

Date: September 26th 2018

Cabinet portfolio: Governance

Report by: Internal Audit Consortium Manager

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## For publication

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### 1.0 Purpose of report

1.1 To present for members' information a summary of outstanding internal audit recommendations and the progress being made to implement them.

### 2.0 Recommendations

2.1 That the report be noted.

2.2 That Members' decide if they want to ask any officers to the next Standards and Audit Committee for further updates in relation to specific areas of concern.

2.3 That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in April 2019.

### 3.0 **Report details**

- 3.1 It has previously been agreed by the Standards and Audit Committee that a report detailing outstanding internal audit recommendations be brought to the Standards and Audit Committee every 6 months.
- 3.2 The implementation of audit recommendations is being monitored by the Corporate Management team on a regular basis and they have committed to being pro- active in ensuring that recommendations are implemented as agreed where possible.
- 3.3 Attached, as Appendix A, is a summary of outstanding internal audit recommendations as at the end of August 2018. In certain areas e.g. Health and Safety a corporate action plan has been produced that incorporates the internal audit recommendations made. In these instances there is a link supplied to the current version of those action plans.
- 3.4 It should be noted that many recommendations have been cleared in the last 6 months although others have then become due.
- 3.5 The timely implementation of internal audit recommendations helps to ensure that the risk of error or fraud is reduced and that internal controls are operating effectively.

### 4.0 **Alternative options and reasons for rejection**

- 4.1 The report is for information.

### 5.0 **Recommendations**

- 5.1 That the report be noted.
- 5.2 That Members' decide if they want to ask any officers to the next Standards and Audit Committee for further updates in relation to specific areas of concern.

5.3 That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in April 2019.

## 6.0 **Reasons for recommendations**

6.1 To inform Members of the internal audit recommendations outstanding so that they can assess if appropriate and timely action is being taken.

### **Decision information**

<b>Key decision number</b>	N/A
<b>Wards affected</b>	All
<b>Links to Council Plan priorities</b>	This report links to the Council's priority to provide value for money services.

### **Document information**

<b>Report author</b>	<b>Contact number/email</b>
<b>Jenny Williams – Internal Audit Consortium Manager</b>	<b>01246 345468</b> <b>Jenny.williams@chesterfield.gov.uk</b>
<b>Background documents</b> These are unpublished works which have been relied on to a material extent when the report was prepared.	
<b>Appendices to the report</b>	
Appendix A	Summary of outstanding audit recommendations as at the end of August 2018

## Summary of Outstanding Internal Audit Recommendations as at end of August 2018

### Outstanding Recommendations 2015/16

Audit- Recs 2015/16	Recommendations	Priority	Past Agreed Imp Date	Managers Comments
<b>Data Protection – May 2015</b>	<p>R1 It is essential that the programme of training embarked on in April 2015, is monitored to ensure all staff fully complete the training and that the anticipated further training to data asset owners occurs and is completed within a prescribed timescale.</p> <p>Raised again September 17</p>	H	<p>November 2015</p>          <p>Revised Date June 2018</p>	<p><b>Manager Responsible: Rachel O’Neil/Tony Smith/Gerard Rogers (as SIRO)</b></p> <p>84.4% of staff have now completed the programme of training which is a significant improvement.</p>
<p>Business Continuity and Emergency Planning arrangements October 2015</p>	<p>R2 Once the new Corporate Management Team structure has been established then it should be ensured that Service Area Business Continuity plans are:-</p> <ul style="list-style-type: none"> <li>• Aligned to the new structure</li> <li>• Brought up to date</li> <li>• Appropriately distributed</li> <li>• Updated at least annually</li> </ul>	M	<p>SS to commence once new CMT structure agreed and further developed and completed once positions filled – March 2017. Out of date.</p>	<p><b>Manager Responsible: Sam Sherlock</b></p> <p><b>July 18 Update</b> - The following business continuity service area arrangements are still outstanding:</p> <ul style="list-style-type: none"> <li>• Customers, Commissioning and Change – Completed except for IT arrangements Rachel O’Neil</li> <li>• Economic Growth - Neil Johnson</li> </ul>

## Outstanding Recommendations 2016/17

Audit Recs 2016/17	Recommendations	Priority	Past Agreed Imp Date	Managers Comments
<b>IT Network Security Review/Cyber Security – October 16</b> <small>Page 21</small>	R3 ICT need to review secure transfer of data, emails in particular, potentially by configuring the exchange server, ensuring that secure data transfer solution is introduced and that staff are made aware.	M	2016 Awaiting date from supplier  <b>Revised Date October 2018</b>	<b>Manager Responsible: Rachel O’Neil</b>  This is a piece of work which has been included in the ICT improvement roadmap which is currently being discussed with members. It is expected to be implemented by October 2018  <a href="#">..\..\..\System Audits\ICT Audits\ICT Review 2018\Appendix B - Outline Programme Timeline.pdf</a>

Audit Recs 16/17	Recommendations	Priority	Past Agreed Imp Date	Managers Comments
<b>IT Network Security Review/Cyber Security – October 16</b>	R5 It should be ensured that ICT have a system in place to monitor the transfer of data to unsecure email accounts.	M	Specification by 31 <sup>st</sup> January 2017  <b>Revised date October 2018</b>	<b>Manager Responsible: Rachel O’Neil</b>  This is a piece of work which has been included in the ICT improvement roadmap. It is expected to be implemented by October 2018

## Outstanding Recommendations 2017/18

Audit Recs 17/18	Recommendations	Priority	Past Agreed Imp Date	Managers Comments
<p><b>Council Tax May 17</b></p> <p style="text-align: center;">Page 23</p>	<p><b>R1</b> It is essential that ‘old debts’ are vigorously pursued , by the utilisation of charging orders, statutory demand notices or committals, with only one charging order being obtained since the previous audit</p>	<p>M</p>	<p>March 2018</p>	<p><b>Manager Responsible – Damon Bruce</b>            Raised again in 2018/19 Council Tax IA report</p> <p>13 cases for charging orders have been referred to legal this year. Legal have been asked to notify Revenues once a charging order is in place. Revenues will continue to refer cases to legal.</p>
<p><b>Council Tax May 17</b></p>	<p><b>R2</b> As discussed with the SRO, consideration should be given to a review of the year on year arrears analysis (10 years) to confirm recovery action is occurring</p>	<p>L</p>	<p>March 2018            Extended to March 2019</p>	<p><b>Manager Responsible – Damon Bruce</b>            Raised again in 2018/19 Council Tax IA report</p> <p>We will start on this process straight away but because this is a big list we anticipate it taking a long time which is why the completion date is 31<sup>st</sup> March 2019</p>

Audit Recs 17/18	Recommendations	Priority	Past Agreed Imp Date	Managers Comments
<b>Section 106 / CIL – October</b>	R3 It is essential that further action is taken to ensure that the outstanding overdue section 106 agreements are collected or not as appropriate	M	March 2018	<p><b>Manager Responsible: Neil Johnson</b></p> <p>A report has been prepared for consideration of the outstanding overdue sums. This is to be reported to Planning Committee, Executive Member for Economic Growth and Cabinet and is to be added to the Forward Plan.</p>
<b>Section 106 / CIL – October</b>  Page 24	R4 As recommended in the previous audit evidence should be provided to confirm the payment of the offsite play contribution (£38,800) and the highways contribution (£5,000) for CHE/05/00053/FUL	M	March 2018	<p><b>Manager Responsible : Neil Johnson</b></p> <p>It was believed that this payment had been made and the fund was used by Leisure to develop the all-weather pitch in the south west corner of Queens Park but the Council’s planning files and system does not corroborate this. Dialogue with the developer has confirmed that the developer also believes that the £38,800 was paid to the Council. Officers have therefore asked for evidence and the developer is retrieving their archived files. They have indicated that they should be in a position to respond by end of 14<sup>th</sup> September 2018. If it is concluded that the sum has not been paid that instructions to</p>



Audit Recs 17/18	Recommendations	Priority	Past Agreed Imp Date	Managers Comments
Page 25				<p>accountancy will pursue the invoicing route.</p> <p>The reference to the £5,000 highways contribution is not a matter for CBC. The contribution is required to be paid by the developer to Derbyshire County Council and not CBC. DCC were a signature to the agreement and it would be for them to pursue this matter.</p>
<b>Section 106 / CIL – October</b>	R5 As recommended in the previous audit an annual reconciliation should be completed between the Uniform system and the Accountancy system to ensure accuracy of records.	M	March 2018	<p><b>Manager Responsible ; Neil Johnson</b></p> <p>Regular conversations are taking place between planning and accountancy.</p>
<b>ICT Network Security – November 17</b>	R7 Action should be taken to ensure all council employees and members complete the mandatory training courses	M	May 2018	<p><b>Manager Responsible : Rachel O Neil</b></p> <p>Completion rates are much improved and at the end of August are currently at 84.4%</p>

Audit Recs 17/18	Recommendations	Priority	Past Agreed Imp Date	Managers Comments
<p><b>Corporate Health and Safety</b></p>	<p>20 recommendations made – all picked up in a separate Health and Safety action plan</p>	<p>Various</p>	<p>Various</p>	<p>Governance procedures have been put in place in terms of health and safety. A detailed action plan has been produced and this is monitored on a quarterly basis by the Corporate Health and Safety Group. The Internal Audit recommendations have been cross referenced on the action plan 6 recommendations are detailed as Green (work area complete or near complete) and 14 recommendations are detailed Amber (work area has started with some progress made).</p> <p><b>See Health and Safety action plan</b></p> <p><a href="#">Z:\Directorate of Resources\Audit\Miscellaneous Audits\Health and Safety\2017.18 follow up\Report etc\HS Recovery Plan v3.0 iw 08 2018.docx</a></p>

Audit Recs 17/18	Recommendations	Priority	Past Agreed Imp Date	Managers Comments
<b>Payroll – February 18</b>	R5 It is essential that progress is made on the procurement of a new payroll system to ensure that a system can be procured, setup and tested adequately prior to the end of the contract.	L	TBC	<b>Manager Responsible : Kate Harley</b>  Delay has been introduced by client pending overall ICT review.

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## For publication

Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy)

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Meeting: Standards and Audit Committee

Date: 26th September 2018

Cabinet portfolio: Governance

Report by: Internal Audit Consortium Manager

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## **For publication**

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### **1.0 Purpose of report**

1.1 The purpose of this report is to present for consideration by the Standards and Audit Committee the Council's draft updated Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy) which is attached as Appendix A to this report.

### **2.0 Recommendation**

2.1 That The Standards and Audit Committee approve the Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy) attached at Appendix A.

### **3.0 Report details**

3.1 One key element of effective financial governance is that the Council has appropriate arrangements in place in respect of fraud. The Council last reviewed its Anti-Fraud and Corruption Strategy and Money Laundering Policy in 2016. It was agreed at the time that the Strategy

should be periodically reviewed to ensure that it is kept up-to-date and remains relevant.

- 3.2 In line with good practice for all public bodies the Council should have in place an up to date Anti –Fraud and Corruption Strategy. The formal commitment to this strategy will serve to restate the Council’s zero tolerance of fraud and all forms of malpractice. The refresh of the strategy will also provide an opportunity to promote the key message to both Members and Employees.
- 3.3 The strategy that has been recommended for adoption has been reviewed and updated to reflect developing good practice. The main change to the strategy is to update it to reflect the Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017.
- 3.4 The Corporate Management Team has been consulted on the content of the Strategy. If there are further legislative or changes in best practice then the strategy will be reviewed accordingly.
- 3.5 Legal Implications - Fraud, Bribery, Corruption and Money Laundering are all criminal activities. This strategy is intended to minimise the risk that the Council suffers as a result of such activity, or that the Council is unwittingly used to undertake or assist such activity.
- 3.6 Consultation - The Corporate Management Team has been consulted.
- 3.7 Equalities Impact Assessment (EIA) - A preliminary Equality Impact Assessment has been undertaken which has concluded that the updated strategy is not anticipated to have a disproportionate impact on any protected group.

#### **4 Alternative options and reasons for rejection**

- 4.1 Not applicable.

## 5 Recommendation

- 5.1 That The Standards and Audit Committee approve the the Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy) attached at Appendix A.

## 6 Reason for recommendation

- 6.1 To ensure that the Anti-Fraud and Corruption Strategy is kept up to date and is effectively publicised which will reduce the risk of fraud.

### Decision information

<b>Key decision number</b>	N/A
<b>Wards affected</b>	All
<b>Links to Council Plan priorities</b>	This report links to the Council's priority to provide value for money services.

### Document information

<b>Report author</b>	<b>Contact number/email</b>
<b>Jenny Williams – Internal Audit Consortium Manager</b>	<b>01246 345468</b> <b>Jenny.williams@chesterfield.gov.uk</b>
<b>Background documents</b> These are unpublished works which have been relied on to a material extent when the report was prepared.	
<b>Appendices to the report</b>	
Appendix A	Anti-Fraud, Bribery and Corruption Strategy (Including Money Laundering Policy)

## **Chesterfield Borough Council**

### **Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy)**

#### **POLICY STATEMENT**

Chesterfield Borough Council expects that both Members and Officers will demonstrate the highest standards of behaviour in the conduct of public business.

In undertaking its functions and activities, the Council will not tolerate any form of fraud, corruption, bribery, abuse of position or other malpractice, whether it is attempted by persons or organisations within or external to the Council.

The Council is committed to working in an open, honest and fair way and will:

- Maintain a policy and culture characterised by zero tolerance of fraud and malpractice
- Encourage the prevention of fraud, bribery and corruption or other malpractice
- Promote the detection of fraud, bribery, corruption or other malpractice
- Maintain clear procedures for investigation and further action where necessary

It is expected that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The Council also expects that individuals and organisations, with which it comes into contact, will act towards the Council with honesty and integrity.

The Council expects all partners in both public and private sectors to establish robust and transparent governance arrangements.



# CHESTERFIELD BOROUGH COUNCIL

## Anti-Fraud, Bribery and Corruption Strategy

### 1. INTRODUCTION

1.1 The Council is opposed to all forms of fraud and corruption. It recognises that fraud and corruption undermine the standards of public service which it promotes and reduce the resources available for the good of the whole community and erodes public confidence in our governance.

1.2 The Anti-Fraud, Bribery and Corruption Strategy is designed to: -

- provide a clear statement of values;
- encourage prevention;
- promote detection,
- act as a deterrent; and
- set out a clear approach for investigation of any concerns, complaints etc.

1.3 **Fraud** is defined as:

- The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain.
- Failure to disclose information where there is a legal duty to do so.
- False Representation.
- Abuse of Position

**Corruption** is defined as:

*The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.*

**Theft** is defined as:

*A person shall be guilty of theft if they dishonestly appropriate property belonging to another with the intention of permanently depriving the other of it.*

**Bribery** is defined as:

*An inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.*

Or

Giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for already having done so.

Bribery Includes:

- Bribery of another person
- Accepting a Bribe
- Failure to prevent or disclose Bribery

Further details concerning bribery and related offences and in particular concerning the interpretation of the Bribery Act 2010 can be found at the website given below:

<http://www.legislation.gov.uk/ukpga/2010/23/contents>

- 1.4 Benefit fraud is where a person,
  - a) makes a false statement or representation; or
  - b) causes or allows a false statement or representation; or
  - c) fails to notify a change of circumstances; or causes or allows another person to fail to notify a change of circumstances for the purpose of obtaining or increasing entitlement to housing/council tax benefit for themselves or another.
- 1.5 This document presents a Strategy for an Open and Honest Council characterised by a clear policy of Zero Tolerance of Fraud, Bribery, Corruption and related activities. The sections which follow set out the framework which it is intended will help secure that objective.

## 2. **CULTURE**

- 2.1 The Council is determined that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud and corruption.
- 2.2 All individuals and organisations associated with the Council are required to act with integrity. Council staff and Members, at all levels, will lead by example.
- 2.3 The Council's staff are an important element in its stance on fraud and corruption. They are encouraged to raise any concerns and can do this in the knowledge that these will be treated in confidence and properly investigated.

- 2.4 This commitment to investigate the concerns of any members of staff has been formally acknowledged by the Council by the adoption of a Confidential Reporting Policy.

The Confidential Reporting Policy aims to: -

- encourage individuals to feel confident in raising serious concerns and to question and act upon concerns about working practice.
- provide avenues by which these concerns can be raised and subsequently to supply feed back on any action taken.
- ensure that a response is provided to any concerns raised and that people raising concerns are aware of how to pursue them if they are not satisfied.
- reassure individuals that they will be protected from possible reprisals or victimisation if they have made any disclosure in good faith.

Full copies of the Confidential Reporting Policy are available on the Council's Intranet or in printed format if required. It should be noted that the Confidential Reporting Policy covers all issues (not just fraud and corruption).

- 2.5 Where either staff or members of the public have concerns there are a number of channels available to report these concerns through:

- The Chief Executive
- Managers
- The Monitoring Officer
- The Internal Audit Consortium Manager
- The Council's External Auditors
- Or through the Council's Complaints Procedure
- Alternatively benefit fraud can be reported directly to the Department for Work and Pensions at their website.

- 2.6 Senior Management are responsible for following up any allegation of fraud or corruption received and will do so by taking the following action: -

- immediately informing the Director of Finance and Resources or the Internal Audit Consortium Manager or the Chief Executive;
- recording and securing all evidence received and collected;

- ensuring that evidence is sound and adequately supported;
  - implementing Council disciplinary procedures where appropriate;
  - where the matter is raised through the Confidential Reporting Policy, responding in accordance with that Policy.
- 2.7 Senior Management are expected to deal swiftly and firmly with those who defraud the Council or who are corrupt.
- 2.8 The investigation process must not be misused and any abuse, such as raising malicious allegations, will be dealt with as a disciplinary matter.

### 3. **PREVENTION**

#### 3.1 **Staff**

- 3.1.1 Staff recruitment will be in accordance with the Council's Recruitment and Selection procedures particularly with regard to the obtaining of written references. These will be used to assist in verifying the previous record of potential staff in terms of propriety and integrity. All recruitment processes must involve the Human Resources Section.
- 3.1.2 Employees of the Council must follow the Code of Conduct which is included in the Council's Constitution
- 3.1.3 Employees must declare in writing any circumstances where their personal interests (financial and non-financial) may conflict with those of the Council e.g. processing a planning application form for a relative or friend. Standard forms are available from your Manager or Support Services Staff on which to make declarations. Any concerns regarding a potential conflict of interest must be discussed with a senior manager.
- 3.1.4 The Council has in place agreed disciplinary procedures which management and employees must follow.
- 3.1.5 Many procedures have been designed to ensure that the work of one member of staff is checked by another. These types of checks are important deterrents to fraud. Managers must ensure that all staff have access to procedural guidance and should periodically confirm that the agreed procedures are being operated.
- 3.1.6 Where necessary staff will receive appropriate training to ensure that they are equipped to identify and tackle fraud related matters.
- 3.1.7 Investigation officers will receive appropriate levels of training ensuring high quality investigations. This will include training by other professional investigation bodies such as the police.

3.1.8 Computer Payroll details will be compared with computer benefit details and any matches will be investigated. Likewise any data matches raised by the National Fraud Initiative will be investigated. The provisions of the Data Protection legislation will be applied.

## 3.2 **Members**

3.2.1 Councillors and co-opted members must follow the rules in Part 5 of the Council's Constitution, including:

- General Principles of Conduct
- Members' Code of Conduct
- Code of Conduct on Planning Matters
- Summary of other rules affecting members' conduct
- Protocol on Member / Officer Relations

Councillors learn about these rules as part of the induction process and further ongoing training will be provided as appropriate.

3.2.2 The Council has a Standards and Audit Committee to deal with standards of conduct of Borough and Parish Councillors and co-opted members.

## 3.3 **Systems**

3.3.1 It is a management responsibility to maintain the internal control system. This includes the responsibility for the prevention of fraud and other illegal acts. By undertaking an agreed plan of work, internal audit will evaluate the adequacy and effectiveness of these controls as a means of assisting management to discharge its responsibilities.

3.3.2 The Director of Finance and Resources has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper arrangement of the Council's financial affairs. In addition, the Monitoring Officer is responsible for ensuring that the Council's business is conducted in accordance with legislation and good practice.

3.3.3 To help him/her do this, all service financial recording systems must be designed in consultation with and to the satisfaction of the Director of Finance and Resources.

3.3.4 The Council's Financial Regulations and Procedures are set down in Part 4 of the Council's Constitution. These Regulations and Procedures set out in detail how the Council's financial affairs are to be administered and controlled.

#### 3.4 **Combining with Others**

3.4.1 Arrangements are in place to encourage the exchange of information between the Council and other agencies on fraud and corruption activity as an aid to prevention/detection. The agencies involved include: -

- External Audit ;
- Department for Work and Pensions
- Inland Revenue
- Customs and Excise.

In exchanging data with other organisations the Council will comply with the requirements of the Data Protection Legislation.

#### 4. **DETECTION AND INVESTIGATION**

4.1 The internal control and other monitoring systems outlined above have been designed to highlight fraudulent activity, and they should be sufficient in themselves to deter fraud.

4.2 It is the responsibility of managers to prevent and detect fraud and corruption. However it is often the alertness of other staff, Members and the public that enables detection to occur and appropriate action to be taken.

4.3 Financial Procedures require managers to immediately notify the Director of Finance and Resources or the Internal Audit Consortium Manager of any financial irregularity or suspected irregularity. Reporting is essential because it:

- Ensures consistent treatment;
- Enables investigation to be assisted by an independent team;
- Ensures agreed investigation procedure is followed.

4.4 Depending on the nature and the anticipated extent of the allegations, the Internal Audit Consortium will normally work closely with Management and other Agencies, such as the Police, to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are secured for the Council.

- 4.5 The Council's Disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council Employee.
- 4.6 Ignoring potential/possible fraud, including benefit fraud, may be construed as improper behaviour by a Council employee. If an employee has any suspicion, they should make appropriate officers aware, so that the matter can be investigated in accordance with the confidential reporting policy.

The people to contact are:-

- your Manager
- your Executive Director
- the Chief Executive
- The Director of Finance and Resources
- the Internal Audit Consortium Manager
- the Benefits Team

Where your own Manager is not available or should you so choose then you should contact another senior manager.

- 4.7 Causing or allowing a person to either make a false statement or declaration, or to fail to notify a change of circumstances is an offence under the law relating to the payment of benefit. Any employee / member involved is liable to prosecution.
- 4.8 Where financial impropriety is discovered, the Council's presumption is that the Police will be called in. Referral to the Police is a matter for the Chief Executive, in consultation with the Director of Finance and Resources and relevant member of the Corporate Leadership Team. Referral to the Police will not prohibit and should not delay action under the Disciplinary Procedure.

## **5. HOUSING BENEFIT AND COUNCIL TAX SUPPORT (Local Council Tax Reduction Scheme)**

- 5.1 Whilst encouraging genuine claimants to apply for benefit the Council has adopted a number of initiatives to detect and prevent fraudulent applications, such as: -
- checks at the start and during the life of a benefit claim;
  - A page on the Council's website that provides a range of information for reporting suspected fraud.
  - Publicity for a national fraud 'hotline' and the reporting tool on the Department for Work and Pensions website together with details on the Council's website of other channels for reporting issues.
  - participation in the DWP sponsored or similar Data matching exercise;

- internal data matching, payroll data to benefit data;
- using computer links to the Department for Work and Pensions to check entitlements, to receive benefit notifications, and to check National Insurance numbers and other data;
- having a prosecution policy for alleged benefit /council tax fraudsters;
- undertaking land registry checks;
- carrying out joint fraud investigations with other bodies such as DWP.
- Regular articles in 'Your Chesterfield'.

5.2 The Council has adopted a Policy to undertake the Prosecutions of persons who have committed criminal offences in obtaining housing benefit and/or council tax support to which they were not entitled.

5.3 Benefit staff receive training in fraud awareness. Codes of Conduct have been established for Benefits staff. These explicitly state that no employee should deal with any claimant who is personally known to them or get involved in any case where they have a pecuniary interest, e.g. the claim is in respect of a property they own or for a member of their family.

## 6. **RAISING AWARENESS OF THIS POLICY STATEMENT**

6.1 To be effective, it is essential that all staff and Members are aware of the existence of this Policy Statement. This will be achieved through a variety of means, such as: -

- Inclusion on the Council's Internet and Intranet site;
- Articles in the Borough Bulletin and Your Chesterfield Newsletter;

## **CONCLUSION**

7.1 The Council has in place a clear set of systems and procedures to assist it in the fight against fraud and corruption.

7.2 The Council will maintain a continuous overview of such arrangements through the annual review of the Constitution and Financial Regulations / Procedures, various Codes of Conduct and audit arrangements.

7.3 This Policy Statement will be subject to periodic review to ensure its continued relevance.



# **CHESTERFIELD BOROUGH COUNCIL**

## **ANTI-MONEY LAUNDERING POLICY** **(INCORPORATING TERRORIST FINANCING REQUIREMENTS)**

**(August 2018)**

## **CHESTERFIELD BOROUGH COUNCIL**

### **ANTI – MONEY LAUNDERING POLICY**

#### **1. Introduction**

- 1.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came in to force in June 17 and, for any offences committed after 26 June 2017, replace the Money Laundering Regulations 2007. The 2017 Regulations impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

#### **2. Purpose of the Policy**

- 2.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This policy has been written so as to enable the Council to comply with the Proceeds of Crime (Anti-Money Laundering) Practical guidance for Public Service Organisations by the Chartered Institute of Public Finance and Accountancy (CIPFA) relating to the anti money laundering regulations.
- 2.2 While all organisations are required to take appropriate steps to prevent money laundering local authorities do not undertake activities which have been identified as being high risk and the approach outlined is considered proportionate to what is considered to be a low risk to the Council and its employees. While the Council undertakes activities considered to be 'low risk' what constitutes money laundering is very widely defined and it is important that the Council takes appropriate steps to prevent money laundering.
- 2.3 The purpose of the Policy is to make all staff aware of the legislation and their responsibility under it including the consequence of non – compliance of the Policy.
- 2.4 Potentially any member of staff or member could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it.
- 2.5 Whilst the risk of the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities as serious criminal sanctions could be imposed for breaches of the legislation.

#### **3. The Council's Obligations**

- 3.1 Under the Legislation Organisations conducting “relevant Business” must:
- Appoint a Money Laundering Reporting Officer (“MLRO”) (compliance and nominated officer) to receive disclosures from employees of money laundering activity ;
  - Implement a procedure to enable the reporting of suspicions of money laundering;
  - Maintain client identification procedures in certain circumstances; and

- Maintain record keeping procedures.
- Undertake an assessment of the money laundering risk that the council is exposed to
- Train relevant employees on their anti-money laundering responsibilities

#### **4. Scope of the Policy**

- 4.1 This Policy applies to all staff and elected members of the Council and aims to maintain high standards of conduct, by reducing the risk of criminal activity through money laundering. This policy sets out the procedures, which must be followed.
- 4.2 Failure by staff and members to comply with the procedures set out in this Policy may lead to a criminal offence being committed and disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedure.
- 4.3 Managers must ensure that all staff are aware of this policy and their duties within it.
- 4.4 The Anti Money Laundering Policy is part of the Council's Anti -Fraud and Corruption policy and Strategy and sits alongside its Confidential Reporting Code and Employees Code of Conduct.

#### **5. What is Money Laundering?**

- 5.1 Money laundering is a process by which the illegal proceeds of crime are converted into assets which appear to have a legitimate origin, so that they can be retained permanently or recycled into further criminal enterprises.
- 5.2 The source of money, either in cash, paper or electronic form (often referred to as "dirty money") is disguised and given the appearance of being clean funds. These are normally used to hide the proceeds of serious criminal activities such as terrorism, drug smuggling, theft and fraud.
- 5.3 The money laundering legislation and regulations attempt to provide a preventative solution to this problem.
- 5.4 The broad definition of money laundering means that potentially anybody (and therefore any Council employee, irrespective of what Council business they are undertaking) could contravene the Regulations if they become aware of or suspect the existence of criminal property and continue to be involved in a matter which relates to that property without reporting their concerns.
- 5.5 Primary money laundering offences include:
- Concealing, disguising, converting, transferring criminal property or removing it from the UK
  - Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
  - Acquiring, using or processing criminal property

There are also two secondary offences:

- failure to disclose any of the three primary offences
- “tipping off” whereby somebody informs a person or persons who are, or who are suspected of being involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

## **6. What is Terrorist Financing?**

- 6.1 The Terrorism Act 2000 creates a money laundering offence under Section 18 whereby a person commits an offence if he or she enters into or becomes concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property:
- by concealment
  - by removal from the jurisdiction
  - by transfer to nominees, or
  - in any other way.

## **7. Money Laundering Reporting Officer (MLRO)**

- 7.1 The Money Laundering Reporting Officer will receive staff disclosures on suspicions of money laundering and decide on disclosure to National Crime Agency (NCA).
- 7.2 The Money Laundering Reporting Officer is:  
The Director of Resources  
Town Hall  
Rose Hill  
Chesterfield  
S40 1LP  
Tel: 01246 345451
- 7.3 In the absence of the MLRP the Chief Accountant is authorised to deputise (tel. 0246 345452).
- 7.4 The Legal Section is available to give advice as required.

## 8. Disclosure Procedure

### 8.1 Reporting to the Money Laundering Reporting Officer

8.2 Enquiries can be made of the individual to establish whether or not there is an innocent explanation before deciding whether or not to make a disclosure to the MLRO. However, once you have reasonable grounds for knowing or suspecting that the individual is engaged in money laundering a report must be made and the suspected money launderer must not be informed of this. Under no circumstances must an employee do anything that may tip off the subject of the report that such report has been made.

8.3 Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as practicable to the MLRO. This disclosure should be within "hours" of the information coming to your attention, not weeks or months later.

### **SHOULD YOU NOT DO SO, THEN YOU MAY BE LIABLE TO PROSECUTION.**

8.4 Your disclosure should be made using the disclosure forms attached as **Appendix 1**. The report must include as much detail as possible, for example:

Full details of the people involved (including yourself if relevant) e.g. name, date of birth, address, company names, directorship, phone numbers etc. Full details of the nature of their/ your involvement:

8.5 Once you have reported the matter to the MLRO you must follow any directions they may give. You **MUST NOT** make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the National Crime Agency (NCA). Simply report your suspicions to the MLRO who will refer the matter to the NCA if they consider this appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

## 9. Consideration of disclosure by the Money Laundering Reporting Officer

9.1 Upon receipt of a disclosure report (copy attached as Appendix 1) the MLRO must note the date of receipt on the section of the report and acknowledge receipt of it. They should advise you of the timescale within which he expects to respond to you.

9.2 The MLRO will consider the report and any other available internal information they think relevant: e.g.

- Reviewing other transaction patterns and volumes
- The length of any business relationship involved
- The number of any one-off transactions and linked one-off transactions
- Any identification evidence held

- 9.3 And undertake such other reasonable inquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether a report to the National Crime Agency (NCA) is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.
- 9.4 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:
- There is actual or suspected money laundering taking place; or
  - There are reasonable grounds to know or suspect that this is the case; and
  - Whether he needs to seek consent from the NCA for a particular transaction to proceed.
- 9.5 All disclosure reports referred to the MLRO and reports made by him to the NCA must be retained by the MLRO in a confidential file kept for that purpose for a minimum of 5 years.
- 9.6 The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCA.

## **10. Training**

- 10.1 In support of this policy, the Council will:
- Make all staff aware of the requirements and obligations placed on the Council and on themselves as individuals by the anti-money laundering legislation; and
  - Give targeted training to those most likely to encounter money laundering.

**STRICTLY CONFIDENTIAL**

**Report to: Money Laundering Reporting Officer (MLRO)**

**Re: money laundering activity suspicion**

To: ....., CBC Money Laundering Reporting Officer

**From:**

Name.....Post.....  
*[Insert name of employee or member and post title]*

Service: ..... Ext/Tel No: .....  
*[Insert service area and contact details]*

**DETAILS OF SUSPECTED OFFENCE:**

**Name(s) and address (es) of person(s) involved:**  
*[If a company/public body please include details of nature of business]*

*[Please continue on a separate sheet if necessary]*

**Nature, value and timing of activity involved:**  
*[Please include full details e.g. what, when, where, how]*

*[Please continue on a separate sheet if necessary]*

**Nature of suspicions regarding such activity:**

*[Please continue on a separate sheet if necessary]*

**Have you discussed your suspicions with anyone else?**

*[Please tick the relevant box]*

Yes

No

**If yes, please specify below, explaining why such discussion was necessary:**

*[Please continue on a separate sheet if necessary]*

**Has any investigation been undertaken (as far as you are aware)?**

*[Please tick the relevant box]*

Yes

No

**If yes, please include details below:**

*[Please continue on a separate sheet if necessary]*



**Have you consulted any supervisory body guidance re money laundering (e.g. the Law Society)?**

*[Please tick the relevant box]*

Yes

No

**If yes, please specify below:**

*[Please continue on a separate sheet if necessary]*

**Do you feel you have a reasonable excuse for not disclosing the matter to the National Crime Agency? (E.g. are you a lawyer and wish to claim legal professional privilege?)**

*[Please tick the relevant box]*

Yes

No

**If yes, please set out full details below:**

*[Please continue on a separate sheet if necessary]*

**Are you involved in a transaction which might be a prohibited act under sections 327- 329 of the Act and which requires appropriate consent from the NCA?**

*[Please tick the relevant box]*

Yes       No

Section 327 - Concealing, disguising, converting, transferring criminal property or removing it from the UK.

Section 328 – entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.

Section 329 – acquiring, using or possessing criminal property.

**If yes, please enclose details in the box below:**

*[Please continue on a separate sheet if necessary]*

**Please set out below any other information you feel is relevant:**

*[Please continue on a separate sheet if necessary]*

**DECLARATION:**

**Signed:**..... **Dated:**.....

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

**THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO**

Date report received: .....

Date receipt of report acknowledged: .....

**CONSIDERATION OF DISCLOSURE:**

**Action Plan:**

**OUTCOME OF CONSIDERATION OF DISCLOSURE:**

**Are there reasonable grounds for suspecting money laundering activity?**

**If there are reasonable grounds for suspicion, will a report be made to the National Crime Agency?**

*[Please tick the relevant box]*       Yes       No

**If yes, please confirm date of report to NCA: .....and complete the box below:**

**Details of liaison with the NCA regarding the report:**

**Notice Period: ..... To .....**

**Moratorium Period: ..... To .....**

**Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts?       Yes       No**

**If yes, please confirm full details in the box below:**

**Date consent received from NCA: .....**

**Date consent given by you to employee or member: .....**

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:

*[Please set out any reasonable excuse for non-disclosure]*

Date consent given by you to member or employee for any prohibited act transactions to proceed: .....

Other relevant information:

Signed:.....Dated:.....

**THIS REPORT IS TO BE RETAINED FOR AT LEAST FIVE YEARS**

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## For Publication

### TREASURY MANAGEMENT ANNUAL REPORT 2017/18 AND MONITORING REPORT 2018/19

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Meeting: (1) Standards & Audit Committee  
(2) Council

Date: (1) 26 September 2018  
(2) 10 October 2018

Cabinet portfolio: Deputy Leader

Report by: Director of Finance and Resources

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### **For publication**

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#### **1.0 Purpose of report**

1.1 To consider the Annual Treasury Management Report for 2017/18.

1.2 To consider the Treasury Management activities for the first five months of 2018/19.

#### **2.0 Recommendations**

2.1 That the **Council** is recommended to:

- (i) Approve the outturn Prudential Indicators for 2017/18;
- (ii) Approve the treasury management stewardship report for 2017/18;
- (iii) Note the treasury management position for the first five months of 2018/19.

2.2 That **Standards and Audit Committee** scrutinizes the report and makes recommendations to the full Council for consideration.

### 3.0 **Background**

3.1 The Council's Treasury Management Strategy requires the full Council to receive three treasury reports each financial year; the Strategy report before the start of each financial year, an annual report for the previous financial year and a mid-year review for the current year.

3.2 The Annual Report for 2017/18 is attached at Annexe 1. The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

3.3 Following the Icelandic banks collapse in 2008 the regulatory framework places a much greater emphasis on the review and scrutiny by Members of treasury management activities. The attached report provides details of the treasury management activities in 2017/18 and confirms compliance with the Council's approved policies.



## 4.0 Summary of the Annual Report

4.1 During 2017/18, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2016/17 Actual £'000	2017/18 Revised £'000	2017/18 Actual £'000
Actual capital expenditure	18,855	23,858	<b>19,631</b>
Capital Financing Requirement:			
- General Fund	13,983	15,141	<b>15,143</b>
- HRA	134,359	132,343	<b>132,343</b>
- Total	148,342	147,484	<b>147,486</b>
External debt	133,245	131,303	<b>131,303</b>
Investments – under 1 year	31,762	42,929	<b>46,360</b>
1 year and above	3,256	-	-
Net borrowing	98,227	88,374	<b>84,943</b>

The increase in investments from 2016/17 is largely due to slippage in both the General Fund and HRA capital programmes, and the receipt of the Sheffield City Region grant of £5.4m towards the Northern Gateway project that was received in March 2018.

4.2 Other prudential and treasury indicators are to be found in Annexe 1. The Director of Finance and Resources also confirms that borrowing over the medium term is only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached in 2017/18.

4.3 The financial year 2017/18 continued the challenging environment of low investment return, however November 2017 saw the first interest rate rise in more than 10 years with the official bank rate rising to 0.50%. There was a large differential between borrowing and investments rates during the year.

**Investments** – Interest income received for the year was on budget at £225,000. Following a review of investments during the 2017/18 financial year the Council further diversified its investment portfolio in order to achieve greater security of investments, particularly with deposits with other local authorities. Further information can be found in Annexe 1.

The in-house team managed average balances of £45.2m earning an average rate of return of 0.56%.

**Borrowing** – in terms of activity during the year on the Council's debt portfolio:

- No new external long term borrowing was undertaken; &
- Long term loan repayments of £1m were made.

**Treasury Management Advisors** – Arlingclose continued to provide treasury management advice to the Council throughout 2017/18. Treasury recommendations were incorporated into the 2017/18 Treasury Management Strategy Statement that was approved by Council in February 2017.

## 5.0 **Mid- Year Review 2018/19**

### 5.1 Annual Investment Strategy

In accordance with the Cipfa Code and the Council's Investment Strategy, the investment priority is to ensure security and liquidity of capital, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. The Bank Rate was increased by a further 0.25% in August 2018 to 0.75%; however the continuing uncertainty of economic recovery and the geo-political uncertainties prompt a low risk and short term strategy. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the five months ended 31<sup>st</sup> August 2018.

## 5.2 Internally Managed Cash Balance

In the first quarter of the year the interest rates achieved were slightly higher than those assumed when setting the budget (0.66% against 0.58%). The net average internal investment balance has also been higher than the assumptions made in the original budget, which has resulted in net internal investment returns being £4,500 better than forecast for the first quarter of the year.

5.3 Investment rates were increased in August 2018, however the continuing uncertainty on the impact of the UK leaving the European Union means that volatility remains around investment rates. The budget forecast for investment income will be reviewed as part of the revised budget process in the Autumn.

## 5.4 Borrowing activities in the period:

- No new long term borrowing has been undertaken;
- No repayments of principal have yet been made; &
- No debt rescheduling was undertaken.

## 5.5 Compliance with Treasury & Prudential Limits

All treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices have been maintained.

The main Prudential Indicators relating to borrowing are:

- Authorised Borrowing Limit – the limit for the year was set at £148m, the limit has not been breached.
- Operational Boundary – this was set at £138.3m for the year, again the limit has not been breached.

## 6.0 **Treasury Management Indicators 2018/19**

Amendments to the 2018/19 General Fund capital programme will be considered by Council in October. Further borrowing may be necessary and this additional borrowing would require an adjustment to the Prudential Indicators (PI's) approved as part of the Treasury Management Strategy Statement in February. The PI's detailed below would need to be amended:-

- General fund Capital Expenditure & Financing
- General Fund Capital Financing Requirement
- Operational Boundary
- Authorised Limit

These amended PI's will be reported to Cabinet as part of the budget monitoring report in the autumn.

## 7.0 **Recommendations**

7.1 That the **Council** is recommended to:

- (i) Approve the outturn Prudential Indicators for 2017/18;
- (ii) Approve the treasury management stewardship report for 2017/18;
- (iii) Note the treasury management position for the first five months of 2018/19.

7.2 That **Standards and Audit Committee** scrutinizes the report and makes recommendations to the full Council for consideration.

## 8.0 **Reasons for recommendations**

8.1 To comply with the Council's Treasury Management Policy and Practices, the CIPFA Code of Practice on Treasury Management (2017) and the CIPFA Prudential Code for Capital Finance in Local Authorities (2017).

### **Decision information**

<b>Key decision number</b>	100
<b>Wards affected</b>	All
<b>Links to Council Plan priorities</b>	

### **Document information**

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<b>Background documents</b> Local Government Act 2003, CIPFA Prudential Code & Guidance, Accountancy Services' final accounts working papers.	
<b>Annexes to the report</b>	
Annexe 1	Annual Treasury Outturn Report 2017/18

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## Treasury Management Outturn Report 2017/18

### Introduction

The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve a treasury management annual report after the end of each financial year.

This report fulfils the Council's legal obligation to have regard to the CIPFA Code.

The Council's treasury management strategy for 2017/18 was approved at a meeting of the Authority on 23<sup>rd</sup> February 2017. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

### External Context

**Economic commentary** 2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now be span Q2 2019 to Q4 2020.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February *Inflation Report* indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

**Financial markets:** The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31<sup>st</sup> March 2018 were 0.43%, 0.72% and 1.12% respectively.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

**Credit background:** The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).



Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

S&P downgraded Transport for London to AA- from AA following a deterioration in its financial position.

Moody's downgraded Rabobank's long-term rating due to its view on the bank's profitability and the long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors. S&P also upgraded the long-term rating of ING Bank to A+.

**Other developments:** In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ring-fencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

### **Local Authority Regulatory Changes**

**Revised CIPFA Codes:** CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code are being incorporated into Treasury Management Strategies and monitoring reports.

The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions. The Capital Strategy for Chesterfield Borough Council will be produced along with the Investment Strategy for 2019/20 in February 2019.

In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is to be identified and reported.

**MiFID II:** As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3<sup>rd</sup> January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria was met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

### **Local Context**

On 31<sup>st</sup> March 2018, the Authority had net borrowing of £85m arising from its revenue and capital income and expenditure, a decrease on 2017 of £13.2m. 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. These factors and the year-on-year change are summarised in table 1 below.

Table 1: Balance Sheet Summary

	<b>31.3.17 Actual £000</b>	<b>2017/18 Movement £000</b>	<b>31.3.18 Actual £000</b>
General Fund CFR	13,983	1,160	15,143
HRA CFR	134,359	(2,016)	132,343
<b>Total</b>	<b>148,342</b>	<b>(856)</b>	<b>147,486</b>
Less: Usable reserves	(39,932)	(11,508)	(51,440)
Less: Working capital	(10,183)	(922)	(11,103)
<b>Net borrowing</b>	<b>98,227</b>	<b>(13,286)</b>	<b>84,943</b>

Net borrowing has decreased due to a fall in the CFR as new capital expenditure was lower than the financing applied including minimum revenue provision; together with an increase in usable reserves, especially due to £2.4m in the HRA working balance and £5.5m in the Capital Grants Unapplied Reserve; and a rise in working capital due to the timing of receipts and payments.

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31<sup>st</sup> March 2018 and the year-on-year change in show in table 2 below.

Table 2: Treasury Management Summary

	<b>31.3.17 Balance £000</b>	<b>2017/18 Movement £000</b>	<b>31.3.18 Balance £000</b>	<b>31.3.18 Rate %</b>
Long-term borrowing	133,245	1,942	131,303	
Short-term borrowing	0	0	0	
<b>Total borrowing</b>	<b>133,245</b>	<b>1,942</b>	<b>131,303</b>	<b>3.79</b>
Long-term investments	3,256	(3,256)	0	
Short-term investments	15,169	5,069	20,238	
Cash and cash equivalents	16,593	9,529	26,122	
<b>Total investments</b>	<b>35,018</b>	<b>11,342</b>	<b>46,360</b>	<b>0.59</b>
<b>Net borrowing</b>	<b>98,227</b>	<b>13,284</b>	<b>84,943</b>	

The decrease in net borrowing in table 1 has translated into a rise in investment balances. A major contributing factor to this was the receipt of the Sheffield City Region grant towards the Northern Gateway project of £5.4m that was received in March 2018.

### **Borrowing Activity**

At 31<sup>st</sup> March 2018, the Authority held £131m of loans, a decrease of £2m on the previous year, as part of its strategy for funding previous years' capital programmes. The year-end borrowing position and the year-on-year change in show in table 3 below.

Table 3: Borrowing Position

	<b>31.3.17 Balance £m</b>	<b>2017/18 Movement £m</b>	<b>31.3.18 Balance £m</b>	<b>31.3.18 Rate %</b>	<b>31.3.18 Average maturity years</b>
Public Works Loan Board	133,243	1,941	131,302	3.79	28 years
Local Authorities (short term)	0	0	0		
Other	2	1	1	6.25	<1 year
<b>Total borrowing</b>	<b>133,245</b>	<b>1,942</b>	<b>131,303</b>		

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

In furtherance of these objectives, no new external borrowing was undertaken in 2017/18, while existing loans were allowed to mature without replacement. This strategy enabled the Authority to reduce net borrowing costs and reduce overall treasury risk.

The “cost of carry” analysis performed by the Authority’s treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years’ planned expenditure and therefore none was taken.

### **Investment Activity**

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18, the Authority’s investment balance ranged between £38m and £56m million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table 4 below.

Table 4: Investment Position

	<b>31.3.17 Balance £m</b>	<b>2017/18 Movement £m</b>	<b>31.3.18 Balance £m</b>	<b>31.3.18 Rate %</b>	<b>31.3.18 Average maturity years</b>
Banks & building societies (unsecured)	15.5	(3.5)	12.0	0.56	<1 year
Covered bonds (secured)	2.0	(2.0)	0		
Government (incl. local authorities)	3.3	9.9	13.2	0.78	<1 year
Money Market Funds	14.2	6.9	21.1	0.45	<1year
<b>Total investments</b>	<b>35.0</b>	<b>11.3</b>	<b>46.3</b>		

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, and given the increasing risk and falling returns from short-term unsecured bank investments, the Authority further diversified into more secure asset classes during 2017/18, particularly deposits with other Local Authorities. As a result investment risk was lowered.

### **Other Non-Treasury Holdings and Activity**

Although not classed as treasury management activities, the 2017 CIPFA Code now requires the Authority to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and regeneration purposes as well as commercial investments which are made mainly for financial reasons. The Authority holds £46m of directly owned investment property and land. This represents a decrease of £4.2m on the previous year due to revaluation losses. The Authority also holds a £250,000 loan to the Derbyshire Building Control Partnership that commenced in March 2018.

### **Performance Report**

The Authority measures the financial performance of its treasury management activities in terms of its impact on the revenue budget, as shown in table 6 below.

Table 6: Performance

	<b>Actual £000</b>	<b>Budget £000</b>	<b>Over/ under</b>
<b>Total investment income</b>	(224)	(225)	1
<b>Total debt expense</b>	5,169	5,181	(12)
<b>GRAND TOTAL</b>	4,945	4,956	(11)

### **Compliance Report**

The Head of Finance and Resources is pleased to report that all treasury management activities undertaken during 2017/18 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	2017/18 Maximum	31.3.18 Actual	2017/18 Limit	Complied
Any single organisation	£5m	£5m	£5m	✓
Any group of funds under the same management	£7.5m	£5m	£7.5m	✓
Enhanced Money Market Funds	£15m	£12m	£15m	✓

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

Table 8: Debt Limits

	2017/18 Maximum £000	31.3.18 Actual £000	2017/18 Operational Boundary £000	2017/18 Authorised Limit £000	Complied
<b>Borrowing</b>	<b>£133,245</b>	<b>£131,303</b>	<b>£133,250</b>	<b>£143,000</b>	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was above the operational boundary for the whole of 2017/18.

### **Treasury Management Indicators**

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

**Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed was:

	<b>31.3.18 Actual</b>	<b>2017/18 Limit</b>	<b>Complied</b>
Upper limit on fixed interest rate exposure	53%	100%	✓
Upper limit on variable interest rate exposure	47%	50%	✓

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

**Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	<b>31.3.17 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied</b>
Under 12 months	1.5%	15%	0%	✓
12 months and within 24 months	1.5%	15%	0%	✓
24 months and within 5 years	5.2%	45%	0%	✓
5 years and within 10 years	10.3%	75%	5%	✓
10 years and above	81.5%	95%	25%	✓

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 364 days:** These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Actual principal invested > 364 days	0%	0%	0%
Limit on principal invested > 364 days	33%	25%	25%
Complied	✓	✓	✓