



## Audit and Standards Committee

Date and Time - **Monday 23 September 2019 - 6.30pm**

Venue - **Council Chamber, Town Hall, Bexhill-on-Sea**

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### Councillors appointed to the Committee:

K.D. Dixon (Chairman), J. Barnes, Mrs M.L. Barnes, A.K. Jeeawon,  
Mrs E.M. Kirby-Green, L.M. Langlands, Rev H.J. Norton and H.L. Timpe.

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## AGENDA

### 1. MINUTES

To authorise the Chairman to sign the minutes of the meeting of the Audit and Standards Committee held on the 31 July 2019 as a correct record of the proceedings.

### 2. APOLOGIES FOR ABSENCE

### 3. ADDITIONAL AGENDA ITEMS

To consider such other items as the Chairman decides are urgent and due notice of which has been given to the Head of Paid Service by 12 Noon on the day of the meeting.

### 4. DISCLOSURE OF INTERESTS

To receive any disclosure by Members of personal and disclosable pecuniary interests in matters on the agenda, the nature of any interest and whether the Member regards the personal interest as prejudicial under the terms of the Code of Conduct. Members are reminded of the need to repeat their declaration immediately prior to the commencement of the item in question.

## PART A - STANDARDS REPORTS

### 5. INDEPENDENT PERSON RECRUITMENT (Pages 1 - 10)

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## **PART B - AUDIT REPORTS**

6. **UK EXIT FROM THE EUROPEAN UNION (BREXIT)** (Pages 11 - 24)
7. **INTERNAL AUDIT REPORT TO 30 JUNE 2019** (Pages 25 - 32)
8. **REVISED ANTI-FRAUD AND CORRUPTION FRAMEWORK** (Pages 33 - 76)
9. **TREASURY MANAGEMENT REPORT - JULY 2019** (Pages 77 - 96)
10. **FINAL STATEMENT OF ACCOUNTS 2018/19 (AS PREVIOUSLY CIRCULATED) - FOR INFORMATION**  
[Statement of Accounts](#)
11. **UNIT 4 SYSTEMS ADMINISTRATION - VERBAL UPDATE**
12. **WORK PROGRAMME** (Pages 97 - 98)

Malcolm Johnston  
Executive Director

Agenda Despatch Date: 13 September 2019

### **Invitees in respect of Standards Related Reports only:**

Independent Persons: Mrs Susan Fellows and Mrs Jan Gray.

Parish/Town Councillor Representatives: Councillors Mrs W.M. Miers and T. A. Stainsby.

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**Rother District Council aspiring to deliver...  
an Efficient, Flexible and Effective Council, Sustainable Economic Prosperity,  
Stronger, Safer Communities and a Quality Physical Environment**

## Rother District Council

Report to	-	Audit and Standards Committee
Date	-	23 September 2019
Report of the	-	Monitoring Officer
Subject	-	Independent Person Recruitment

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### **Recommendation:** It be **RESOLVED:** That

- 1) the resignation of Mr Robert Tye with effect from Thursday 8 August 2019 be noted;
  - 2) the proposed arrangements for the recruitment of one Independent Person for a term of four years be approved;
  - 3) an Interview Panel be appointed comprising the Monitoring Officer, the Chairman of the Audit and Standards Committee and an Executive Director; and
  - 4) the proposed appointee be recommended to the Committees' next meeting on 9 December for onward recommendation to Council on 16 December 2019.
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### **Monitoring Officer: Lisa Cooper**

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#### **Introduction**

1. Mr Robert Tye, one of the Council's three appointed Independent Persons (IPs) resigned with immediate effect on Thursday 8 August. His appointment had been fixed for four years and was due to expire in July 2021.
2. The Council took the decision in 2016 to increase the number of IPs from two to three to provide increased resilience and an opportunity for the third IP to work alongside Mrs Susan Fellows and Mrs Jan Gray whose terms of office also expire in 2021; regrettably, this desired outcome did not come to fruition for a number of reasons.
3. The existing IPs' terms of office are not renewable under the terms of the Localism Act as both will have served 8 years by July 2021. Having a restricted tenure does ensure that the judgment and independence of the IPs is not compromised by a long period of involvement in a single authority.
4. It is therefore recommended that in order to provide a small hand-over period, of some 18 months to maintain resilience and ensure a level of continuity and institutional memory, the Council proceeds immediately to recruit a third IP; this report sets out the proposed arrangements for the recruitment.

## The Localism Act Requirements

5. The Localism Act 2011, Chapter 7, Section 28 places a duty on the Council to appoint one or more independent persons for the following purposes:
  - To give the Council views on any allegations it has decided to investigate, before a decision is reached;
  - At the discretion of the Council, to give the Council views on any other allegations; and
  - At the discretion of a Member, Co-opted Member or Member of a Town or Parish Council, to give the Member views on any allegations relating to the behaviour of that Member. [s28(7)]
  
6. A person may not be appointed as an Independent Person if that person:-
  - Is a Member, or co-opted Member or officer of Rother District Council or its Parish and Town Councils;
  - Has been a Member, or co-opted Member or officer of Rother District Council or its Parish and Town Councils in the previous 5 years;
  - Is a relative or close friend of a person who is an officer or Member of Rother District Council or its Parish and Councils.
  
7. A person may not be appointed unless —
  - the vacancy for an independent person has been advertised in such manner as the authority considers is likely to bring it to the attention of the public,
  - the person has submitted an application to fill the vacancy to the authority, and
  - the person's appointment has been approved by a majority of the Members of the authority.
  
8. The IPs also have a statutory role under the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 concerning disciplinary procedures that involve one of the three statutory Local Government post-holders; these posts being the Head of Paid Service, Section 151 Officer and Monitoring Officer. A decision to make a binding recommendation on disciplinary action against a statutory post-holder will be taken transparently by full Council, who must consider any advice, views or recommendations from an independent panel, of at least two persons, comprising the IPs appointed under section 28(7) of the Localism Act 2011.

## Considerations

9. Members may recall receiving a report at the June meeting on the recommendations to Government made by the Committee on Standards in Public Life (CSPL) following their review of Local Government Ethical Standards. One of the recommendations concerning the IPs is that “an Independent Person needs not just to be independent according to the requirements of the Localism Act 2011 but should also show an ability to:
  - offer authoritative and impartial advice,
  - maintain independence in a politically sensitive environment,
  - gain the confidence of councillors, officers, and the public,

- make decisions on an impartial basis, grounded in the evidence, and
  - work constructively with the local authority and senior officers”.
10. It is considered that the above principles are sound and should be those expected of appointed IPs. The proposed Role Description and Person Specification that forms part of the recruitment pack is attached at Appendix A for Members’ information. It is hoped that with the introduction of a clear Role Description and Person Specification the Council will attract candidates who are willing and able to commit to the expectations of the role. The existing IPs were consulted in the formulation of these documents and agree that they reflect the requirements of the post and post-holder.
  11. Previously, IPs have been appointed for a term of 4 years, renewable once (serving a maximum term of 8 years); the Council has previously considered this satisfactory given the relatively few complaints that the Council deals with and level of contact between the authority and the IPs. Whilst the Council is aware of a further recommendation to Government from the CSPL that IPs should be appointed for a fixed term of two years, with the option of a single re-appointment, this would lead to recruitment administration every two years, which is considered over bureaucratic. It is therefore recommended that the term of office remain fixed for four years, renewable only once as per the current arrangements.
  12. Currently the IPs receive an allowance of £361 per annum, paid over 12 months. This rate was recommended by the Independent Remuneration Panel to apply from 2019 and represented a 2% increase on the previous rate. This rate is not subject to an annual increase.
  13. It is proposed that an advert for one Independent Person is placed on the Council’s website and highlighted through social media messages and MyAlerts inviting applications with a closing date of Friday 18 October 2019. The vacancy will also be notified to all Councillors and all Parish and Town Councils within the Rother area.
  14. It is recommended that the Chairman of the Committee and an Executive Director together with the Monitoring Officer comprise a panel to interview suitable applicants during the week commencing 28 October 2019 and make a recommendation, via the next meeting of the Audit and Standards Committee on 9 December and then onto full Council on 16 December 2019.

### **Conclusions and Recommendations**

15. It is recommended that the Council proceeds to fill the current vacant IP position as soon as possible to ensure that there is a period of overlap between the new appointee and the Council’s existing IPs whose tenure will cease in July 2021. The appointment to be for a four year term of office, renewable only once.
16. It is hoped that with the improved Role Description and Person Specification the Council will attract candidates who are able to commit to the expectations of the role. Suitable candidates will be interviewed by a Panel comprising the Chairman of the Audit and Standards Committee, an Executive Director and the Monitoring Officer.

17. The Panel will make a recommendation to the Audit and Standards Committee at the December meeting for onward recommendation to full Council on 16 December 2019.

Lisa Cooper  
Monitoring Officer

**Risk Assessment Statement**

The Council's two remaining IPs have less than two years tenure remaining and will be unable to be re-appointed in 2021 when their current of office expires. It is desirable that a third IP is appointed to work alongside the existing IPs to ensure a level of continuity and institutional memory.

## ROLE PROFILE

**Responsible to:** The Monitoring Officer and the Council.

**Liaison with:** Members and co-opted Members and Officers of Rother District Council, the other appointed Independent Persons and Parish and Town Councils within the district, where necessary.

**Responsibilities:**

1. To attend and participate in meetings of the Audit and Standards Committee and any sub-committees or associated meetings in an advisory capacity when the Committee is considering standards related matters.
2. To provide advice to Members and Co-opted Members about whom a conduct complaint has been received and specifically to discharge the functions detailed in Section 28(7) of the Localism Act 2011.
3. To assist in the promotion and maintenance of high standards of conduct by Members.
4. To develop and apply knowledge of the Code of Conduct in relation to any and all matters relating to standards, including the assessment and determination of allegations of Member misconduct under the Code of Conduct.
5. To analyse and exercise fair and impartial judgement and decision making on conduct issues.
6. To consult, liaise and maintain a professional working relationship with the Council's Monitoring Officer, his / her appointed deputies and other officers of the Council.
7. To provide a view on the governance of the Council and the 31 Parish and Town Councils from an external perspective that will better enable the Council to assess conduct and standards issues.
8. To develop a firm understanding of the standards and wider governance framework within which the Council operates.
9. To participate in training events relevant to the work of standards within the Council and Parish and Town Councils when appropriate.
10. To attend meetings of the Council when required and other functions in order to raise the profile of standards within Rother District.
11. To participate in any forum established for Independent Persons, where possible.
12. In relation to 1 and 2 above to assist neighbouring principal councils on an ad hoc basis, if necessary.
13. To act as a member of an independent panel convened in accordance with the Local Authorities (Standing Orders) (England) (Amendment) Regulations

2015 in connection with disciplinary procedures involving the Head of Paid Service, Section 151 Officer or Monitoring Officer.

14. To undertake such other responsibilities as the Monitoring Officer considers reasonably commensurate with the position.

**ROTHER DISTRICT COUNCIL**  
**PERSON SPECIFICATION**  
**INDEPENDENT PERSON (Localism Act 2011 – Standards)**

	<b>Essential</b>	<b>Desirable</b>	<b>How Measured</b>
<b>Localism Act 2011 Criteria</b>	Applicants must comply with the definition of an Independent Person as detailed in the Localism Act 2011, Part 1, Chapter 7, Section 28 (8) and (10).		Application.
<b>Experience</b>	Over 18 years of age.	Experience of serving in or working for local or national government and/or legal system, tribunals or other quasi-judicial bodies.	Application and Interview.
<b>Education/Training</b>	No specific qualifications required.		
<b>Skills/Knowledge</b>	<p>Commitment to public service.</p> <p>Ability to critically assess written and oral evidence to reach a balanced and objective decision.</p> <p>Ability to absorb key information from complex reports.</p> <p>Ability to communicate effectively</p>	<p>Knowledge of how local government operates and an awareness of the role of elected Members.</p> <p>General understanding of the principles of the Members' code of conduct and standards regime.</p> <p>Knowledge of rules of natural</p>	Application and Interview.

	<p>with a wide range of people, Councillors and Council officers.</p> <p>Demonstrate excellent listening, problem solving and evaluation skills.</p> <p>Demonstrate tact, diplomacy and impartiality.</p>	justice.	
<p><b>Personal Qualities</b></p> <p>Page 8</p>	<p>Personal Integrity.</p> <p>Commitment to upholding high standards.</p> <p>Independence of mind – ability to form a view on the basis of facts and not to be swayed by others and act objectively.</p> <p>Commitment to confidentiality in appropriate circumstances.</p> <p>Ability and willingness to work with other Members of other local councils, their committees/panels and officers, if required.</p> <p>Reliable and committed.</p>	<p>Exercise persuasion and influence.</p> <p>Think logically, seeking and receiving advice where appropriate.</p>	Application and interview.
<b>Working Arrangements</b>	Ability to attend various evening /	Ability to identify potential	Application and interview.

	<p>daytime meetings with fluctuating frequency and sometimes at short notice.</p> <p>To be available for and respond to consultation as and when required, and sometimes at short notice.</p> <p>Attend training events and other forums as and when required.</p>	<p>conflicts of interest during working role.</p>	
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## Rother District Council

Report to	-	Audit and Standards Committee
Date	-	23 September 2019
Report of the	-	Executive Director
Subject	-	UK Exit from the European Union (Brexit)

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**Recommendation:** It be **RESOLVED:** That the report be noted.

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### Background

1. At the meeting on 24 September 2018 (Minute AS18/20 refers), Members requested that consideration be given to the Strategic Risk Register in order to take into account the potential effects of the impending departure of the United Kingdom from the European Union (EU). A further report was brought to this Committee on the 25 March 2019 (Minute AS18/42). At the time of writing this report the delayed departure date from the EU has now been set for 31 October 2019. A scenario in which the UK leaves the EU without agreement (a 'no deal' exit) still remains uncertain.

### Discussion

2. This is a highly political area and it is important to try and assess the risks as neutrally as possible. The Government has published a series of technical notes (plus an overview) that set out information to allow authorities, businesses and citizens to understand what they would need to do in a 'no deal' scenario, so they can make informed plans and preparations.
3. The Minister for Housing, Communities and Local Government (MHCLG) recently wrote to the Leaders of all local authorities in England stating that the UK will be leaving on the 31 October and emphasising the role of Local Government in preparing for EU Exit. The letter went on further to ask local authorities to:
  - *Designate a Senior Officer as Brexit Lead Officer with the following responsibilities - Ensuring the Council has taken all reasonable steps, in line with relevant guidance and messaging coming from Government and its agencies, to prepare for our exit from the EU on 31 October. This should include clear communication to local residents and businesses to support their own preparations for Brexit and a plan for how the Council would communicate important messages to stakeholders;*
  - *Ensuring the Council has a team in place which is equipped to support the delivery of Brexit, ready for the period around 31 October;*
  - *Overseeing the expenditure of the specific Brexit funding allocated to their Council and ensuring it is effectively contributing to local preparations;*
  - *Playing a full part in your Local Resilience Forum to ensure that its plans for No Deal take account of relevant local circumstances and*

*potential impacts on local communities. The Secretary of State, will be writing separately to all Local Resilience Forum (LRF) Chairs to set out how the Government proposes to work with local authorities to prepare for Brexit and to ask that they liaise with local authorities to assess relevant impacts;*

- *Bringing together local public service providers, the voluntary and community sector, community groups and businesses to effectively prepare for the potential local impacts of leaving the EU without a deal; acting as the principal contact point for your regional lead chief executive and central Government; and*
  - *Proactively raising with central Government or your regional chief executive representative any emerging trends, issues and other local intelligence that might assist in No Deal preparations.*
4. It should be noted that although the Council will not be able to address many of the issues directly, it may well have to respond to them. As a district council it receives information and instructions through the Sussex Resilience Forum (SRF), the Local Government Association (LGA) and the Regional lead officer for local government EU Exit Affairs (who happens to be the Chief Executive of East Sussex County Council). There is also direct contact with lead Government departments via telephone conferences and support from the South East Local Partnership Enterprise (SELEP).
5. Aside from the impact Brexit may have on local authorities, there are of course implications to commercial and voluntary businesses as well as impacts on communities. The risks of these implications, along with their impact and potential mitigation, are shown in Appendix 1 and have been updated since the December 2018 and March 2019 reports.
6. These items are covered under the categories of:
- Strategy and Policy
  - Impact on communities
  - Impact on the economy
  - Impact on the Council

### **Other Brexit Options**

7. For the purposes of this report it is not intended to discuss the alternatives in detail and many of the issues identified with a 'no deal' Brexit are likely to apply to a greater or lesser extent to any of the options.

### **Preparations within Rother District Council in relation to MHCLG letter**

8. The Executive Director, Dr Anthony Leonard is the Lead Officer supported by an officer EU Exit Team consisting of:
- Head of Planning;
  - Head of Environmental Health, Licensing and Community Safety;
  - ICT Manager;
  - Emergency Planning Officer; and
  - Human Resources Manager.

9. This working group currently meets on a weekly basis to consider communications received, the risk register and action log, tracking our preparative activity for EU Exit. It is expected that briefings and reports on a weekly increasing to daily basis will be implemented by central Government replicating the communications set up for the previous anticipated March 2019 exit from the EU.
10. All strategic partners participate in the conference calls and planning events along with central Government representatives and major commercial operators in the region such as Gatwick Airport Limited. Reports from the partners are submitted both to the SRF and to the Chief Executive of East Sussex County Council (ESCC) who are required to report weekly to central Government.
11. All local authorities have received a grant to assist with the resource impacts for having to prepare for EU Exit. Rother District Council has received £17,484 in the 2018/19 financial year with a similar grant received for the 2019/20 financial year, a total of c£35,000. On 6 August 2019, the MHCLG announced a further £17,484 would be available to district councils. The SRF has also received a regional grant into which we can bid for further financial assistance if special regional circumstances arose that affects Rother District. These grants are not expected to meet any on-going costs to services following Brexit.

#### **Preparations with Businesses and Communities in relation to MHCLG letter**

12. While the Council cannot be held accountable for EU implications for businesses and communities, it does have a role in assisting with communications and ensuring businesses and communities understand and are aware of the issues and can take the necessary actions to mitigate or minimise disruption. There are a number of useful websites available to guide people and these are listed below:

GOV.UK:

<https://www.gov.uk/brexit>

Food Standards Agency.

<https://www.food.gov.uk/business-guidance/prepare-your-business-for-the-uk-leaving-the-eu>

LGA

<https://www.local.gov.uk/topics/brexit>

SELEP

<https://www.southeastlep.com/our-strategy/business-support/brexit/>

13. The web links have also been provided to the Chamber of Commerce within the three towns, the Federation of Small Businesses and Rother Voluntary Action.
14. With regards to communication with the public further guidance is awaited. In the meantime, if enquiries are received the public will be directed to the above Government Brexit website.

## **Conclusion**

15. At the time of writing this report, the political environment continues to change and so preparations are being undertaken in this uncertain climate. The information in Appendix 1 is not intended to be an exhaustive list nor will it be a static document. Officers will continue to monitor the situation and will keep Members up to date as changes occur. Any changes to the Council's budgets or policies will be brought to Members for consideration and approval.
16. Work on the impacts etc. of Brexit could potentially consume a large amount of officer resource that this Council simply does not possess. Officers will therefore continue to work with other East Sussex Councils and the SRF on mitigation action to address the major strategic risks.

Dr Anthony Leonard  
Executive Director

### **Risk Assessment Statement**

Although there is still uncertainty around what the final EU Exit mechanism will look like it is important that potential implications and what can be done about them are considered. The risk of not doing so is that the Council will find itself unprepared and unable to assist or take action when necessary.

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
The Council's access to European funding reduces. The district's capacity to work independently within East Sussex, SELEP and national structures is also reduced.	M	H	H	It is likely the ability to develop and seek support for Rother focused and led projects will be diminished. The current systems allow the Council to work in and out of different funding programmes. Post Brexit it is possible reduced funding will be more narrowly focused and access for districts reduced by strengthened regional structures.	Leader SMT	Ensure Rother is effectively represented at county and regional partnerships.  Resources invested in leading projects on behalf of partners.  Maintain lines of dialogue outside formal structures.
Urban and northern focus of UK Government results in loss of the current limited focus on the coast.	H	H	H	It seems likely that LEP and regional structures together with city regions and mayors will be dominant if resources are restricted. Funding will not focus the south of England.	Political Leadership SMT	Working through the SELEP and ESCC it will be critical to renew the structure of coastal and regional partnerships we operate in order to maximise influence and benefits.
Economic downturn prevents major capital projects like high speed train extension to Bexhill proceeding.	M	H	H	Economic downturn could affect the progress made to date on regeneration in the area and compound the deprivation already experienced in parts of Rother.	Political Leadership SMT	To work with partners at all levels to advance our case.

## Impact on Communities

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
Overseas travel to Europe after EU Exit	H	M	H	Communication in place to advise individuals on checking they have appropriate paperwork and it meets the requirements for travel: passport, travel insurance and healthcare insurance; driving documents and if required pet travel – if travelling to Europe with your pet you will need to contact your vet at least 4 months before you go.	Individual	Directing residents to government website. <a href="https://www.gov.uk/brexit">https://www.gov.uk/brexit</a>
An increase in inter-community tension caused by friction around exit or a re-run referendum.	H	M	H	The individual impact of a hate crime will be high for the victim(s). The impact on community relations will depend upon both the number/nature of incidents and how they are responded to.	Members SMT Staff Police	The Council should work with community partners, police and others to prepare and inform the area and campaign for an open and inclusive Rother. Partners need to make clear the zero tolerance for hate crimes.
More widespread disorder.	L	H	M	It seems unlikely a major political disorder would take place given the area's history. However, if this does, this could be very damaging to community relationships and the area's reputation. Worst case scenario planning predicts some disruption to council services if RDC are required to support implementation of national plans mitigating the effects of a deal EU Exit.		Work with Police and other partners to monitor tensions.
An increase in poverty if there is economic	M/H	M/H	H	Potential for increased benefit dependence, unemployment, and child	LEP DWP	It is critical that both County and Rother based welfare and

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
downturn.				poverty. Possible pressure in the use of foodbanks (if the foodbanks are receiving supplies) and an increase in homelessness. However this is challenging to quantify.	Councils	housing partnerships work in a coordinated way to understand and respond to increases and changes in the nature of poverty.
Eligibility of existing EU claimants may be brought into question.	L	H	L	Possible increase in demand on other service areas such as homelessness.	DWP Councils	Guarantees have been given that EU nationals with settled status will not be affected so although needs to be included is considered a low risk.
Delays in the importation of food, medicines and other critical supplies from the continent and supplies in out/short supply.	Not known	H	Not known	<p>If this appears likely there might be panic and disruption. There might be the need for rationing. The severity would depend on what was unavailable and particularly the duration of any shortages.</p> <p>Local authorities and therefore RDC staff could be involved in implementing national plans at a local level managing any shortages that do occur as a result of EU Exit.</p>	SMT	Unknown. The Council would need to work with national and local agencies to address this risk. Staff trained in dealing with difficult situations.
Loss of opportunities for external funding may impact deprived communities. Alternatively funding could be focused on other priority themes and areas, not applicable to Rother's socio-economic profile.	M	H	H	A downturn and reductions in public expenditure will mean social projects funded through the EU will not be replaced or be partially replaced.	Political leadership SMT	Work with other LAs, health and partners to lobby for successor funds to current European social programmes.

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
EU nationals without settled status will not have rights to stand for election or vote unless an agreement.	M	L/M	M	The electoral roll would need to be reviewed with potential staff impact.	Electoral Registration Officer/ Returning Officer	To be kept under review as negotiations proceed.

## Impact on the Economy

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
Drop in local gross domestic product and gross added value.	H	M	H	Impact on local companies and employment.	SMT	Carry out further research. Work with LOCATE, Chamber and East Sussex partners to assess and mitigate impact.
Tourist industry hit by both travel issues and image of a welcoming place.	H	M/H	H	The reduction in visitors could have a substantial local impact leading to job losses.	SMT	To re-assess approach to monitoring to ensure Rother is maintaining its position in partnership with 1066 partnerships. To consider how cultural offer is developed in these circumstances. However, a weak pound may encourage visitors.
Business failures due to reliance on EU labour. Services impacted (such as refuse collections, tourism, agriculture and health care).	H	H	H	Could be significant in certain sectors. Could also lead to reduced income to the Council from Business Rates. This may also have an impact on the nursing care sector and the NHS in particular.	SMT	To be kept under review and continue to work with partners. (In this case, RDC contractors to seek permanent full time employment).
Slowdown in housing construction due to reliance on EU labour or unfavourable market conditions.	H	H	H	Failure to meet identified local need for new housing. Also loss of income to the Council from planning application fees, community infrastructure levy and Section 106 contributions.	SMT	To be kept under review and continue to work with partners.

Local firms that export to or import from Europe may be adversely affected.	M	M	M	Difficult to scale. Our preparations have included review of likely export requirements for example the need for food export certificates for the fisheries industries and contingency plans put in place so that RDC is ready to support our local industries (see below).		Businesses directed to government website to inform them of the actions they will need to undertake. <a href="https://www.gov.uk/brexit">https://www.gov.uk/brexit</a>
Adverse impact on fishing industry and producers/exporters of products of animal origin.  Page 20	H	M	H	The fishing community in general has argued for EU Exit and/or reduction of regulations. A no agreement exit might mean restrictions are lifted. Boats from the rest of UK might fish locally if denied access to European waters. The need for export certificates to be issued for all products of animal origin will be an administrative burden for both the industries themselves and this Council.	SMT	Communication with the fishing industry and Food Standards Agency.  Consideration and planning has been given to making the necessary resources available to issue export health certificates. Resources within environmental health will need to be redeployed to focus on this activity. The strain this will put on this Council's Environmental Health Service has been raised with central Government.  Businesses directed to Government website. <a href="https://www.gov.uk/brexit">https://www.gov.uk/brexit</a>
Impact on VAT.	L	L	L	Potential implications for the classification of goods and limits, both of which are currently set by the EU.	SMT	To be kept under review and wait guidance from Treasury.  Businesses directed to Government website. <a href="https://www.gov.uk/brexit">https://www.gov.uk/brexit</a>

Disruption of national fuel supplies due to new import and border check arrangements and the impact on motorways.	L	H	M	<p>Employees unable to get to Council offices or carry out normal visits and inspections.</p> <p>Waste and Recycling service disrupted and household waste not collected causing potential public health implications.</p>	SMT	More staff to work from home. Some visits and inspections deferred. Work with regional emergency plan protocols to ensure priority access to available fuel supplies.
Traffic difficulties along coast roads due to HGVs unable to cross into Europe.	M	M	M	Lorries attempting to go via Newhaven could impact on A259/A21 congestion.		ESCC have an emergency plan adopted.

## Impact on the Council

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
Economic downturn could delay the development of Council owned sites.	M	M/H	H	It is not possible to seek the size and duration of any economic downturn however likely impacts could include a diminution in planning applications resulting in less fee income and no Community Levy funds being received.	SMT	Projects may have to be delayed until the economy recovers.
Economic downturn could lower the return on Council investments.	M	M	M	Anticipated income reduces.	SMT	Investment programme to be reviewed.
Increased bad debt provision through business failures.	M	M	M	Anticipated income will be lower.	SMT	Work with local and national partners to monitor the situation.
Future procurement rules may change.	L	L	L	This may be beneficial if EU procurement is replicated with something less burdensome. However, there can be no guarantee of this.		Currently Government have no intention to change procurement legislation.
Pressure on services increases in poverty and unemployment rise as part of a downturn.	M	M	M	Pressure on Housing and Benefits and the Community Help Points/Contact Centres could be serious. Additional need for grant aid to advice services like CAB may be called for.	SMT	To work in partnership with East Sussex partners if crisis in welfare or homelessness emerges.  To review staffing as appropriate to lobby Government for resources if such problems can be realistically anticipated and scaled.

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
Loss of external funding.	M	M	M	EU funded projects may not proceed.	SMT	Reduce services where funding is lost.
Potential implications for existing staff who are EU nationals or who have family who are EU nationals.	M	M	M	Currently being assessed.	SMT	Assistance has been offered to staff that need it. HR will extend right to work checks.
Drop in demand for services if population decreases.	L	L	L	It is difficult to assess without research to establish the level of demand from EU citizens or a clear view of the numbers likely to leave.	SMT	If demand dropped sufficiently staffing would need reviewing. This seems relatively unlikely.
Supply chain risk.	L	H	M	Mainly related to external suppliers of vehicles, plant and equipment used by contractors to the Council.	SMT	Early discussions with contractors to identify any issues over their supply chain.
Work to assist in delivering National EU Exit Plans has an impact on RDC staff resources.	H	M	H	Temporary diversion of staff resource to deliver National Plan priorities impacts on the day-to-day business of RDC, including the provision of mutual aid to other authorities and evoking emergency plan and involving emergency planning.	SMT	Use of central Government supplementary budget to provide additional resources (within the limits of the grant given) and prioritisation of service delivery during the period of any disruption. Business continuity plans will be implemented.
EU Exit results in loss of income to the Council.	M	H	H	The medium to long term effects may result in loss of income from business rates and investment returns.	SMT	The Council's medium and long term financial strategies must account for potential lower income streams.
Impact of offsite	L	H	M	Prevention of processing information if	SMT	Review and ensure location of

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for Controls	Mitigation
processing of personal data in EU.				repository sited in EU.		any offsite processing if information undertaken in UK.

## Rother District Council

Report to	-	Audit and Standards Committee
Date	-	23 September 2019
Report of the	-	Executive Director
Subject	-	Internal Audit Report to 30 June 2019

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**Recommendation:** It be **RESOLVED:** That the Internal Audit report to 30 June 2019 be noted.

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**Audit Manager: Gary Angell**

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### Introduction

1. The Council is required to ensure that it has reliable and effective internal control systems in place. The adequacy of these systems is tested by both Internal and External Audit.
2. The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards. It is a requirement of these Standards that we report to the Audit and Standards Committee on audit matters and any emerging issues not only in relation to audit but also to risk management and corporate governance.

### Summary of Activity to 30 June 2019

3. Two audit reports were issued in the quarter. Both of these gave substantial assurance on the governance arrangements. The executive summaries for these audits, which show the main findings of each report, is provided in Appendix A.
4. In addition to audit assurance work, the service has also engaged in various consulting activities during the quarter and continues to work with the Revenues & Benefits Section regarding the investigation of cases identified as a result of the latest National Fraud Initiative (NFI) data matching exercise.

### Implementation of Audit Recommendations

5. Each quarter, Members are updated on the progress made on implementing the audit recommendations reported at previous meetings. Appendix B shows a summary of the current position. From this it can be seen that whilst there has been little movement on the three older recommendations in the past quarter, steady progress continues to be made on the newer recommendations.
6. The Audit Manager has now reviewed the overall progress of all outstanding recommendations and all cases where no discernible progress has been made in the past six months have been escalated to the Executive Directors for further action.

## **Whistleblowing Activity 2018/19**

7. At the June 2019 meeting Members requested an update on Whistleblowing Policy activity. This information is provided in Appendix C.
8. In summary, a total of 12 whistleblowing cases were reported to the Audit Manager in 2018/19. These include a range of allegations, the majority of which focused on either Benefit/Council Tax Fraud or Housing Tenancy Fraud. All cases were initially reviewed by the Audit Manager and then either referred to the relevant Council officer for further investigation or reported to the appropriate authority.
9. Further details on the Whistleblowing arrangements can be found on the Council's [website](#) and suggested amendments to existing Whistleblowing Policy are reported elsewhere on this agenda as part of the Revised Anti-Fraud and Corruption Framework.

Malcolm Johnston  
Executive Director

### **Risk Assessment Statement**

A strong, independent and well supported Internal Audit function ensures that the Council does not suffer from poor internal control systems.

**COMMUNITY GRANTS AUDIT**

Head of Service: Ben Hook

Officer(s) Responsible for Implementing Recommendations: Alison Spring

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

The basis for applying for Community Grants and any terms and conditions are clear and the scheme is well publicised across the whole District.	<b>M</b>
The decision making process for the awarding of grants is fair, equitable, transparent and consistent with Council policy. All grants over £500 are approved by Members.	<b>M</b>
All grant payments paid are consistent with the sums approved by the Grants Panel/Members and have been authorised for payment by an appropriate officer.	<b>M</b>
Grant monies are used for their intended purpose(s) and the relevant project is delivered for the benefit of the local community.	<b>P</b>
Organisations publicise the Council's assistance on their website and on any relevant literature to raise public awareness of the grant scheme and to ensure the Council receives recognition for the delivery of community projects.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

The only issue found relates to the need to revise procedures to ensure that evidence of expenditure and match funding is always obtained before grant monies are released.

**Executive Summary**

Overall, the control objectives are considered to have largely been met but we have made one medium risk recommendation to management to further enhance the governance arrangements.

Internal Audit Service  
June 2019

**ROTHER DISTRICT COUNCIL**

**DISABLED FACILITIES GRANTS AUDIT**

Head of Service: Joe Powell

Officer(s) Responsible for Implementing Recommendations: Martin Bolton, Jonathan Eades and Judi Clark

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

Disabled Facilities Grants are correctly processed, calculated and paid.	<b>P</b>
Grant expenditure is properly controlled and all subsidy is received.	<b>M</b>
The fee paid to the Adaptations Support Service is agreed in advance and paid in accordance with the terms of the agreement.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

The main issue found concerns the need to ensure that discretionary grants are formally approved in future, in accordance with Council policy.

Some discrepancies were also found between Housing and Land Charges records, highlighting the need for checks to ensure that charges on properties are being correctly applied (where repayment of the grant would be required if the property is subsequently sold).

Finally, the report also raises a potential business continuity issue. At present, there is only one officer with knowledge and experience of supervising Disabled Facilities Grant projects. It is therefore recommended that consideration be given to recruiting or training another person to provide cover and support for this role.

**Executive Summary**

Overall, the control objectives are considered to have largely been met but we have made four medium and two low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service  
June 2019

## Summary of Progress on Recommendations Made up to 31 March 2019

**Audit Recommendations 2017/18***Previous quarter's performance shown in brackets*

Risk	Issued		Implemented		Work-in-Progress		Not Started	
High	2		2	(2)	0	(0)	0	(0)
Medium	38		37	(37)	1	(1)	0	(0)
Low	33		31	(31)	1	(1)	1	(1)
<b>Total</b>	<b>73</b>		<b>70</b>	<b>(70)</b>	<b>2</b>	<b>(2)</b>	<b>1</b>	<b>(1)</b>
			<b>95.9%</b>	<i>(95.9%)</i>	<b>2.7%</b>	<i>(2.7%)</i>	<b>1.4%</b>	<i>(1.4%)</i>

Breakdown of outstanding audit recommendations for 2017/18 by Head of Service:

**Robin Vennard (Resources)**

- Data Protection – issued 22/09/17 (1 Medium, 1 Low)
- ICT Governance – issued 06/04/18 (1 Low)

**Audit Recommendations 2018/19***Previous quarter's performance shown in brackets*

Risk	Issued		Implemented		Work-in-Progress		Not Started	
High	3	(2)	3	(2)	0	(0)	0	(0)
Medium	39	(20)	25	(13)	9	(4)	5	(3)
Low	25	(16)	20	(12)	2	(1)	3	(3)
<b>Total</b>	<b>67</b>	<b>(38)</b>	<b>48</b>	<b>(27)</b>	<b>11</b>	<b>(5)</b>	<b>8</b>	<b>(6)</b>
			<b>71.6%</b>	<i>(71.0%)</i>	<b>16.4%</b>	<i>(13.2%)</i>	<b>12.0%</b>	<i>(15.8%)</i>

### Whistleblowing Activity 2018/19

A total of 12 whistleblowing cases were reported to the Audit Manager in 2018/19.

This total is made up of emails and webforms sent to the [audit@rother.gov.uk](mailto:audit@rother.gov.uk) mailbox (7), letters received by the Audit Manager (3) and calls made to the Fraud Hotline 01424 787799 (2). The figure does not however include any cases reported via the Benefit Fraud Hotline 01424 787737 or submitted using the online Benefits 'Report a Fraud' form as both these channels go direct to the Revenues and Benefits Team.

The breakdown of whistleblowing cases by the type of allegation made is as follows:

Allegation	Number of Cases
Benefit/Business Rates/Council Tax Fraud	9
Housing Register/Tenancy Fraud	6
Licensing Issues	1
Officer/Member Conduct	1
Tax Evasion	1
<b>Total</b>	<b>18</b>

Notes: (1) Some whistleblowing referrals included more than one issue.

(2) Three of the Housing Register/Tenancy Fraud referrals were from other local authorities/housing associations who were seeking information to assist with their own fraud investigations.

All cases were initially reviewed by the Audit Manager to establish if there was any evidence to substantiate the claims being made and cases were then either referred to the relevant Council officer for further investigation or reported to the appropriate authority.

## Rother District Council

Report to	-	Audit and Standards Committee
Date	-	23 September 2019
Report of the	-	Executive Directors
Subject	-	Revised Anti-Fraud and Corruption Framework

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**Recommendation to COUNCIL:** That the revised Anti-Fraud and Corruption Framework be approved and adopted.

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**Audit Manager: Gary Angell**

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### Introduction

1. The Council is firmly opposed to fraud and corruption of any kind and has a suite of policies and procedures which it uses to promote a culture of openness, honesty and opposition to fraud. These documents form part of the Council's Anti-Fraud and Corruption Framework and were last approved at full Council in February 2016 (Minute C15/63).
2. The Framework has now been reviewed and updated. Members are asked to consider the proposed changes and recommend them for approval by full Council.

### The Framework

3. The Anti-Fraud and Corruption Framework is made up of five separate but related documents, namely:
  - Anti-Fraud and Corruption Strategy
  - Fraud Response Plan
  - Anti-Bribery Policy
  - Anti-Money Laundering Policy
  - Whistleblowing Policy
4. These documents are designed (1) to encourage fraud deterrence and prevention, (2) raise awareness of fraud and corruption and promote their detection, and (3) to provide guidance on how concerns should be reported and how they will be dealt with.

### Proposed Changes

5. The revised Anti-Fraud and Corruption Framework is attached in the Appendix to this report with tracked changes.

6. Most of the proposed changes are cosmetic in nature (e.g. updating the names of post holders, job titles and services to reflect organisational change). However, reference is also made to changes in legislation (where appropriate) and we have taken this opportunity to improve the layout of certain sections.

## **Conclusion**

7. Members are asked to review and agree the proposed changes to the Anti-Fraud and Corruption Framework and recommend them for approval by full Council.

Malcolm Johnston  
Executive Director

Dr Anthony Leonard  
Executive Director

## **Risk Assessment Statement**

A clear Anti-Fraud and Corruption Strategy and strong guidance helps to minimise the risks to the authority and its staff and Members and helps to maintain standards in public life. There are significant personal, corporate and reputational risks arising from the failure to report which are outlined in the Appendix to this report



# [Anti-Fraud and Corruption Framework](#)

## [Contents](#)

- [Anti-Fraud and Corruption Strategy](#)
- [Fraud Response Plan](#)
- [Anti-Bribery Policy](#)
- [Anti-Money Laundering Policy](#)
- [Whistleblowing Policy](#)

# Anti-Fraud and Corruption Strategy



## 1.0 Introduction

Rother District Council aims to provide quality services that are accessible to all sections of the community and delivered fairly and efficiently. The Council is firmly opposed to fraud and corruption of any kind and will take prompt and decisive action to deal equally with perpetrators from inside and outside the Council. The [Community](#) and our customers have a right to expect the highest possible standards of honesty and integrity from the Council, its officers and the individual Members elected to represent them, and that the actions of those persons are free of fraud and corruption. Equally, the Council expects all individuals and organisations with which it conducts business to act with integrity and without thought or actions involving fraud and corruption.

Like all local authorities, Rother [District Council](#) operates within a statutory framework which governs the behaviour of elected Members and officers, in addition to which, it has a well-established framework of guidance on best practice which is laid down in its Financial Procedure Rules, Procurement Procedure Rules, Delegations to Officers, [staff Conditions of Service](#) and the Members' Code of Conduct. The reference to 'Members' within this document includes both Members and co-opted Members [\(if any\)](#).

The aim of this document is that it should be a policy statement of the Council's strategy for combating and dealing with fraud and corruption both within and against the authority. As such, it provides an overview of the key principles to be observed by Members and [staff officers](#). It does not seek, however, to detail the specific requirements which are contained in the Constitution, Members' Code of Conduct and the Conditions of Service, and thus avoids the potential for conflicting advice from different documents. Additionally, nothing in this document shall preclude the Monitoring Officer and Section 151 Officer from fulfilling their statutory responsibilities.

## 2.0 Anti-Fraud and Corruption Framework

To demonstrate its commitment to the prevention and detection of fraud the Council has devised an Anti-Fraud and Corruption Framework.

The Anti-Fraud and Corruption Framework is made up five separate but related documents, [and this strategy is the highest level document within the Framework. The other documents are the namely: Fraud Response Plan, the Anti-Bribery Policy, the Anti-Money Laundering Policy, and the Whistleblowing Policy.](#)

- ~~— Anti-Fraud and Corruption Strategy (this document)~~
- ~~— Fraud Response Plan~~
- ~~— Anti-Bribery Policy~~
- ~~— Anti-Money Laundering Policy~~

## ~~Whistleblowing Policy~~

Each document identifies whether it should be linked to or considered in conjunction with any other corporate document. There is a separate strategy for dealing with Benefit Fraud, therefore frauds by benefit claimants are not covered by this strategy.

The Anti-Fraud and Corruption Framework is designed to:

- encourage fraud deterrence and prevention
- raise awareness of fraud, bribery and corruption and promote their detection
- provide guidance on how concerns should be reported and how they will be dealt with.
- ~~- prompt investigations of malpractice and facilitate recovery in a prompt, thorough and professional manner~~
- ~~- invoke disciplinary proceedings and further action as appropriate.~~

### 3.0 Culture

The Council's elected Members (Councillors) and ~~employees~~ officers (staff) play an important role in creating and maintaining a culture of openness, honesty and opposition to fraud and corruption. The Council expects Members and staff officers at all levels to lead by example in ensuring adherence to legal requirements, rules, procedures and practices and to carry out their duties in accordance with the seven principles of public life (i.e. selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

Councillors, ~~Council employees~~ officers and members of the public are all important elements in the stance against fraud and corruption and are positively encouraged to raise any concerns they may have on these issues which impact on Council activities. The Council will ensure that any allegations received in any way, including by anonymous letters or telephone calls, will be taken seriously and investigated in an appropriate manner.

The Council will deal firmly with those who defraud or attempt to defraud the Council or who are corrupt or where there has been financial malpractice.

When fraud or corruption has occurred due to a breakdown in the Council's systems or procedures, it is the responsibility of management to ensure that appropriate improvements in systems of control are implemented to prevent a recurrence. This should be done in consultation with the Audit Manager who will review the control procedures to ensure that the opportunity to repeat the fraud is minimised.

### 4.0 Prevention

#### 4.1 *The Role of the Section 151 Officer*

The ~~Service Manager~~ ~~Finance & Welfare~~ Assistant Director Resources (Section 151 Officer) is responsible for the proper administration of the authority's financial affairs, as defined by Section 151 of the Local

Government Act 1972. The Council's Financial Procedure Rules state that the ~~Service Manager—Finance & Welfare Assistant Director Resources~~ is responsible for:

- the proper administration of the authority's financial affairs
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the revenue budget and capital programme
- Treasury Management

Section 114 of the Local Government Finance Act 1988 requires the ~~Service Manager—Finance & Welfare Assistant Director Resources~~ to report to the full Council, Cabinet and the External Auditor if the authority or one of its officers:

- has made, or is about to make, a decision which involves incurring unlawful expenditure
- has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- is about to make an unlawful entry in the authority's accounts.

#### 4.2 *The Role of the Monitoring Officer*

The ~~Democratic Services Manager—Corporate & Human Resources (Monitoring Officer)~~ is the 'Monitoring Officer' in accordance with section 5 (1) of the Local Government and Housing Act 1989. It is the responsibility of the designated Monitoring Officer to maintain an up-to-date version of the Constitution and ensure that it is widely available for consultation by Members, ~~staff officers~~ and the public. The role also contributes to the corporate governance of the Council, in particular, through the provision of professional legal and ethical advice.

The Monitoring Officer shall, under section 5 (2) of the Local Government and Housing Act 1989, make a report to the Cabinet and Council where it appears to him/her that the Cabinet or Council and/or officers appointed by them:

- has made or is about to make a decision which contravenes any enactment, or rule of law
- has made or is about to make a decision that would give rise to maladministration or injustice as is mentioned in Part III of the Local Government Act 1974.

#### 4.3 *The Role of Management*

The Executive Directors and ~~Senior Management~~ Heads of Service are responsible for maintaining internal control systems and ensuring that the Council's resources and activities are properly applied in the manner intended. Management, with the assistance of the Section 151 Officer and Internal Audit, are responsible for identifying the risks to which systems and procedures are exposed and developing and maintaining effective controls to

prevent and detect fraud. They must ensure that controls are complied with and relevant training is provided for all employees.

Management are also responsible for the communication and implementation of the Anti-Fraud and Corruption Framework and ensuring that their employees are aware of staff policies and procedures, the Council's Constitution, Financial Procedure Rules and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the Council's Conditions of Service through the induction process.

Management should create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the information included within the Fraud Response Plan and Whistleblowing Policy.

#### 4.4 *The Role of Employees*

Individual ~~members of staff~~ officers are responsible for their own conduct and for contributing towards the safeguarding of corporate standards. Each employee is governed in their work by the Council's Constitution, Financial Procedure Rules, Conditions of Service and other policies on conduct. These are available on the Council's Intranet (RIBS); employees must be aware of and abide by these policies. Employees are responsible for ensuring that they follow the instructions as detailed within policies and procedures, or provided by management, particularly in relation to income and expenditure, and the security of assets.

A key preventative measure in dealing with fraud and corruption is to use effective checks at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. A standard criminal background check in the form of a self-declaration is also undertaken and Disclosure and Barring Service (DBS) checks made where appropriate. Where contractors provide a service and employ their own staff, confirmation should be required that the above procedures are part of the contractor's recruitment process and have been undertaken.

Employees are expected to be aware of the possibility that fraud, corruption and theft may exist in the workplace, and they are required to make themselves familiar with and comply with the Council's Anti-Fraud and Corruption Framework. Employees must be aware of procedures to be followed if they suspect that fraudulent or corrupt acts have been committed.

#### 4.5 *The Role of Elected Members*

Elected Members are each responsible for their own conduct and contributing towards the safeguarding of corporate standards. As elected representatives, all Members have a duty to protect the Council and public money from any acts of fraud, bribery and corruption. This is done through a framework which

includes the Anti-Fraud and Corruption Strategy, compliance with the Members' Code of Conduct and compliance with the Council's Constitution. Conduct and ethical matters are specifically brought to the attention of Members during induction and include the declaration and registration of interests. The Monitoring Officer advises Members of new legislative or procedural requirements.

#### 4.6 *Conflicts of Interest*

Both Members and ~~employees~~ officers must ensure that they avoid situations where there is potential for a conflict of interest (e.g. when undertaking external tendering of services, internal tendering, planning and land issues). Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information. Declaration of interests should be recorded in accordance with the Code of Conduct and Constitution.

#### 4.7 *Internal Control Systems*

Management is required to establish and maintain systems of internal control which should prevent and detect fraud and corruption. However, internal controls are only effective if they are properly executed and it is management's responsibility to ensure that the controls are properly applied so that the risk of fraud is minimised. Controls should therefore be regularly reviewed to ensure they remain appropriate and effective. The Internal and External Auditors assist management in this task by independently monitoring the existence, effectiveness and appropriateness of these controls.

The Council also expects its partners to have adequate controls in place to minimise fraud.

#### 4.8 *Internal Audit*

Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. Under the Accounts and Audit Regulations 2015 and its own professional standards, it has a duty to provide an independent and objective opinion on the Council's control environment. As part of this duty of care, Internal Audit will ordinarily investigate all cases of suspected financial irregularity, fraud or corruption (except for benefit fraud) in accordance with established procedures and relevant regulations. However, the responsibility for investigating may lie with one of our local authority partners in certain circumstances – see 4.10 Joint Working.

#### 4.9 *External Audit*

External Audit is an essential safeguard of the stewardship of public money. It is not the External Auditor's function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External Auditors are always alert to the possibility of fraud and irregularity and will act without undue delay if grounds for suspicion come to their notice. The External Auditor has a responsibility to review the Council's arrangements for

preventing and detecting fraud and irregularities, and arrangements designed to limit the opportunity for corruption.

#### 4.10 Joint Working

Where fraud or corruption is suspected in an area of joint working with other local authorities (including shared services and joint projects) it will be the responsibility of the lead authority to investigate. Any such concerns regarding Rother District Council led activities should therefore be reported to the relevant Head of Service and/or the Audit Manager in the first instance to agree the way forward. All other cases should be reported to, and investigated by, the lead authority, and Rother District Council informed of the outcome (where appropriate). The Audit Manager may also act as go-between if the person raising the concern does not wish to contact the partner authority direct.

#### 4.1011 Working with Others

Arrangements are in place, and continue to develop, to encourage the exchange of information with other organisations in respect of fraudulent and corrupt activities. These organisations include:

- Police
- Department for Work and Pensions
- HM Revenue and Customs
- Other ~~local authorities and~~ outside agencies
- Suppliers and contractors

Where appropriate, the Council will also participate in data matching exercises and will share information using legislation or legal gateways available to us and our partners. For example, the Cabinet Office uses a Code of Data Matching Practice for its National Fraud Initiative (NFI), which is recognised by the Information Commissioner as complying with Data Protection legislation.

The Council will make full use of its statutory powers to obtain information and will utilise the services of the National Anti-Fraud Network (NAFN) to support such information gathering.

## **5.0 Detection and Investigation**

In preventing and deterring fraud the Council is committed to maintaining a culture which will not tolerate fraud, bribery and corruption and will deal swiftly and firmly with any persons who defraud or attempt to defraud the Council, or who are corrupt. Disciplinary action and prosecution will be invoked whenever fraud or corruption is found. Additional information detailing the raising, investigation and resolution of concerns can be found within the Fraud Response Plan and the Whistleblowing Policy.

All elected Members and employees have a vital role in the detection of fraud and corruption and must be vigilant against the possibility of fraudulent and corrupt activity. A confidential whistleblowing procedure has therefore been established to encourage anyone who wishes to raise concerns about such behaviour to do so with confidence.

Internal Audit also assists management in fulfilling their responsibility for the detection of fraud and corruption and may detect fraud or corruption as a result of work undertaken.

Any investigation undertaken by Internal Audit, or other appropriate officers, must comply with codes of practice and other regulated powers. All relevant interviews and gathering of evidence must be conducted in accordance with the Police and Criminal Evidence Act 1984 (PACE), the [Regulatory Powers of Investigation Act 2000 \(RIPA\)](#), the Human Rights Act 1998, and the Criminal Procedure and Investigations Act 1996 [and the Investigatory Powers Act 2016](#) to ensure that all evidence remains admissible in a court of law. The objective of any investigation will be to establish whether there is evidence that a fraud or malpractice has occurred and to collate sufficient, relevant and reliable evidence to support a complaint to the Police, [and allow](#) disciplinary action and/or legal action to take place.

Where financial impropriety is discovered, the Council's presumption is that the Police will be called in. The Crown Prosecution Service determines whether a prosecution will be pursued. The final decision whether to refer a case to the Police rests with the relevant Executive Director in consultation with Human Resources. Referral to the Police will not prohibit action under the [Council's Disciplinary Procedures](#).

External Audit also has powers to independently investigate fraud and corruption, and the Council can use their services for this purpose too. Any cases of fraud or corruption over £10,000 must be reported to External Audit.

Investigations should not be undertaken without appropriate knowledge of relevant legislation, and the Audit Manager should be notified of all suspected occurrences, as detailed within the Fraud Response Plan.

## **6.0 Training and Awareness**

The Council recognises that the continuing success of its Anti-Fraud and Corruption Framework is largely dependent on the awareness of staff and Members throughout the Council. Managers must ensure that all staff receive training in fraud awareness and are made aware of the Anti-Fraud and Corruption Framework. The level and extent of this will depend on the work that individual employees carry out. When employees are an integral part of the control framework, it will be necessary for them to be regularly reminded of fraud issues. In other cases it may be sufficient to include information in an induction pack or to refer them to key policies and procedures on the Council's Intranet (RIBS). The Audit Manager should be consulted as necessary to provide advice on this and refresher training will be provided as and when required. The Council is also committed to providing suitable training, where necessary, for staff that are involved in investigating fraud and corruption.

Employees, Councillors and members of the public also need to be kept informed about how they can notify the Council if they think something is wrong. The Whistleblowing Policy details the methods available for raising concerns.

## 7.0 Conclusion and Review

This Strategy highlights the policies and procedures which the Council has put in place to assist in the prevention, detection and investigation of fraud and corruption.

Having established a strategy for dealing with fraud and corruption, the Council will ensure that these procedures continue to contribute to a strong control environment and good corporate governance within the authority, and that the arrangements remain appropriate and adequate for the prevention and detection of fraud and corruption.

Regular review of the Anti-Fraud and Corruption Framework will be undertaken by the Audit Manager so that it remains current and effective.

### Version Control

~~Version 2 - December 2015~~ [Version 3 – September 2019](#)

# Fraud Response Plan



## 1.0 Introduction

Rother District Council is committed to the highest possible standards of openness, probity and accountability in all its affairs. It promotes a culture of honesty and will not tolerate fraud and corruption in the administration of its responsibilities.

This Fraud Response Plan forms part of the Council's Anti-Fraud and Corruption Framework and details how suspected instances of fraud and corruption can be reported, and how investigations into suspicions will be conducted and concluded.

## 2.0 Objectives and Scope

The purpose of this Fraud Response Plan is to reinforce the Council's approach to fraud by setting out the ways in which concerns about suspected fraud or corruption can be raised and to establish a protocol for investigating and responding to any such events. The reference to 'Members' within this document includes both Members and co-opted Members [\(if any\)](#).

The objectives of the Fraud Response Plan are to ensure that timely and effective action can be taken to:

- prevent further losses of funds or other assets where fraud has occurred and to maximise recovery of losses;
- minimise the effect of a fraud or corrupt act by taking appropriate and timely action at the earliest opportunity;
- ensure there is a clear understanding over the process and responsibilities for investigating suspected fraud or corruption;
- minimise the risk of inappropriate action or disclosure taking place which would compromise an investigation;
- identify the perpetrators and maximise the success of any disciplinary/legal action taken;
- ensure there is substance and evidence to support any allegation against an employee before that employee is subject to disciplinary action;
- minimise any adverse publicity for the Council, suffered as a result of fraud;

- identify any lessons which can develop future fraud management and prevention; minimise any adverse impacts on the business of the Council.

This document applies to all Members, employees and volunteers and should be applicable to third parties such as ~~customers~~, agency staff, contractors, suppliers and partners ([including shared service providers](#)) as appropriate.

### **3.0 Definition of Fraud and Corruption**

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, or to mislead or misrepresent’.

Corruption is defined as ‘the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person; or the failure to disclose an interest in order to enjoy financial or other pecuniary gain’.

### **4.0 Types of Fraud and Corruption**

In addition to the obvious frauds involving theft of assets or the misappropriation of funds, the following are examples of the types of activity that may also be regarded as fraud or corruption:

- Manipulation or misreporting of financial information
- Misuse of the Council’s assets, including cash, stock and equipment
- Deception (e.g. misrepresentation of qualifications to obtain employment)
- Offering or accepting bribes or inducements from third parties
- Conspiracy to breach laws or regulations
- Fraudulent completion of official documents (e.g. VAT receipts)
- Time recording fraud
- Theft of intellectual property (e.g. unauthorised use of a brand name/logo, theft of customer data or product design)
- False mileage/expenses claims
- Influencing procurement/planning/licensing decisions for personal gain (or for the benefit of family or friends)

[NBNote](#) – This list is not exhaustive.

### **5.0 What should an employee or Member do if they suspect fraud or corruption?**

It is the responsibility of all staff and Members to report fraud whenever they come across it within their work or in connection with their duties, ignoring such acts is not acceptable. A confidential reporting procedure has therefore been established to encourage and enable staff and Members to raise serious concerns internally rather than overlooking the problem or informing the media or other external bodies. The reporting process is explained in more detail in the Council’s [Whistleblowing Policy](#).

Employees should initially raise any suspicions of fraud or corruption with their line manager or [Head of Service-Manager](#). Concerns may be raised verbally or in writing. The officer receiving the allegation is then required to inform the Audit Manager and the Section 151 Officer and/or Monitoring Officer as appropriate, and agree any immediate action required to minimise any serious danger or risk.

[Note – Any suspicions of fraud or corruption in areas of joint working \(including shared services and joint projects\) which are not managed by Rother District Council should be raised with the relevant lead authority.](#)

Employees who suspect their line manager or [Head of Service-Manager](#) may be involved or do not think it appropriate to discuss the concern with them should contact one of the Designated Officers listed overleaf. Members should approach one of the Designated Officers directly.

The nature and seriousness of the incident should be considered before deciding which of the Designated Officers to contact.

- Malcolm Johnston, Executive Director ~~of Resources~~
- Dr Anthony Leonard, Executive Director ~~of Business Operations~~
- Gary Angell, Audit Manager
- Robin Vennard, [Service Manager – Finance & Welfare Assistant Director Resources](#) (Section 151 Officer)
- ~~John Collins, Service Manager – Corporate & Human Resources (Monitoring Officer)~~ [Lisa Cooper, Democratic Services Manager \(Monitoring Officer\)](#)

~~Employees or Members may also report their concerns anonymously should they choose to do so.~~

~~The Council has a confidential Fraud Hotline **01424 787799**. Alternatively, concerns [may be reported to the Audit Manager direct by either completing the an online Whistleblowing Form available on the Rother District Council website, sending an email to \[audit@rother.gov.uk\]\(mailto:audit@rother.gov.uk\) or by ringing the Council's confidential Fraud Hotline on \*\*01424 787799\*\*. These reports may be submitted anonymously if you prefer not to be identified.](#)~~

You should never confront the suspected individual or act in a manner which might draw their attention to your suspicions. At the earliest opportunity you should clearly record all the activities you have witnessed and information you have received or are aware of. It is important to record as much information as possible to inform any subsequent management assessment or investigation, including dates, times and sequences of events.

The Council will support anyone who raises a genuine concern in good faith, even if it later turns out to be mistaken. While all suspected incidents of fraud and corruption should be reported, employees should note that disciplinary action will be taken if frivolous or malicious allegations are found to have been made.

## 6.0 What should managers do when suspected fraud of or corruption is reported to them by a member of staff?

- Listen to the concerns of your staff and treat every report you receive seriously and sensitively.
- Make sure that all staff concerned are given a fair hearing. You should reassure your staff that they will not suffer because they have told you of their suspicions.
- Get as much information as possible from the member of staff, write any information down and agree the content with the individual raising the concern. Do not interfere with any evidence and make sure it is kept in a safe place.
- Differentiate between a performance issue, non-compliance and a fraud or corrupt act. If either of the former two, then consult the Conditions of Service or Human Resources. If there is a possibility of fraud or corruption then:
  - Do not investigate the matter yourself (or access the suspect's computer) in an attempt to determine the facts as this could prejudice any criminal investigation
  - Report the matter immediately to the Audit Manager
  - If unsure, please contact the Audit Manager for advice or a confidential discussion.

Following discussion with the Audit Manager, a decision will be made regarding the way forward. Managers are the responsible officers, although Internal Audit must be notified in all cases of suspected fraud or irregularity. In certain cases, Internal Audit will assume full responsibility for the fraud response. If the complaint involves a Member, then the Monitoring Officer should also be notified.

## 7.0 What should auditors do if they suspect fraud of or corruption?

If in the course of their duties a member of the Internal Audit Team suspects fraud or corruption they should cease work on the assignment immediately, and report it to the Audit Manager. If the Audit Manager is unavailable then one of the Executive Directors of Resources should be informed.

## 8.0 What should a member of the public do if they suspect fraud or corruption?

Members of the public who suspect fraud or corruption are encouraged to contact the Council.

If the issue relates to a Council employee or an individual working on behalf of the Council (including agency workers and contractors), the matter should be

reported to one of the Designated Officers (by ringing the Council on 01424 787000 and asking for the one of the officers listed in section 5.0). [Complaints about the conduct of Members should be reported to the Monitoring Officer in the first instance.](#)

[Concerns may also be reported to the Audit Manager direct by either completing the online Whistleblowing Form, sending an email to \[audit@rother.gov.uk\]\(mailto:audit@rother.gov.uk\) or by ringing the Council's confidential Fraud Hotline on 01424 787799.](#) ~~Concerns can also be submitted in writing either by email to [audit@rother.gov.uk](mailto:audit@rother.gov.uk) or by completing the online Whistleblowing Form available on the Rother District Council website.~~

If **benefit fraud** is suspected, we encourage you to report the matter either [by completing the online Report a fraud form](#) or by ringing the Benefit Fraud Hotline on **01424 787737** ~~or by completing the online [Report a fraud form](#).~~

## 9.0 Investigating Allegations of Irregularities

The objective of the investigation is to:

- establish whether there is evidence that a fraud has occurred;
- collect sufficient evidence to support any complaint to the Police; and
- provide sufficient evidence for disciplinary or legal action.

When a suspected fraud or corrupt act is reported, the relevant senior officer will initially discuss the matter with the Audit Manager. If the evidence indicates potential wrongdoing, the Audit Manager will then undertake a detailed investigation keeping both Human Resources and the relevant Executive Director informed about progress as it proceeds.

All investigations will be conducted in accordance with the relevant Council policies and procedures and where appropriate criminal legislation.

All interviews with staff will be conducted in line with the Council's disciplinary procedures. Should there be a possibility that the investigation could lead to a criminal prosecution then all relevant interviews must be carried out by the Police or by an officer suitably trained in the Police and Criminal Evidence Act 1984 (PACE) to ensure that all evidence gathered remains admissible in a court of law.

Due consideration must also be given the requirements of the [Regulation of Investigatory Powers Act 2000 \(RIPA\)](#), ~~and~~ the Human Rights Act 1998 [and the Investigatory Powers Act 2016](#) when undertaking any investigation.

Any conversations you have with, or information that you provide to [the](#) Audit Manager or other investigating officers will remain confidential. You should remember, however, that you may be required to provide a signed written statement should the case result in a criminal prosecution.

## 10.0 Preservation of Evidence

When the initial enquiry has established that further investigation is required, it is essential that all available evidence relating to the fraud be preserved without alerting the alleged perpetrator to your suspicions.

Original documentation is the best form of evidence and original documents should be obtained and retained if possible. They should not be marked in any way and handled as little as possible. Photocopies should be marked, dated and certified as copies. When evidence is held on a computer, the computer should be secured and the [ICT Service Manager](#)—~~ICT & Customer Services~~ and the Audit Manager consulted about the most appropriate way of retrieving the data in accordance with the rules of court evidence. Under no circumstances should the computer be viewed by anyone who is not appropriately trained. ([NBNote](#) - Even switching it on may ~~contaminate corrupt~~ or destroy important evidence.) Other forms of evidence may include cash or stock, which should be counted and agreed in the presence of the responsible officer. If the person responsible for assets is not available, two people should record the amount held and sign a statement confirming it.

Whenever a person is suspended from work for suspected fraud or corruption they should be asked to remove all personal belongings from their desk/cupboard and be informed that the desk/cupboard may be examined. Please note also:

- (1) the suspended person must be supervised when removing their personal belongings to prevent the removal of any evidence
- (2) any door entry card must also be surrendered and/or access revoked
- (3) access to files and/or computer records should be suspended immediately (and any files or ICT/mobile phone equipment which contain such data recovered)
- (4) Internet and/or [telephone](#) ~~in~~-links should be terminated immediately, if not before the suspension is actioned.

## 11.0 Actions Following the Completion of an Investigation

Once the investigation has been completed, a written report will be issued to senior management stating the facts discovered by the investigation. A recommendation will also be made as to the appropriate course of action to be followed. This can include a disciplinary hearing, criminal proceedings or no further action.

If the fraud was significant (e.g. high value, senior officer, Member, high reputational impact) the findings will also be discussed in detail with the relevant [Head of Service](#)—~~Manager~~ to enable sufficient action to be taken.

The decision whether to take disciplinary action/criminal proceedings rests with the relevant Executive Director/Strategic Management Team after receiving advice from Human Resources.

## 12.0 Follow Up

Following all investigations into suspected irregularities, work will be undertaken with the relevant service area(s) in order to address any weaknesses in procedures identified during the investigation. It is the responsibility of management at all levels to ensure that effective systems of internal control are established and operating to minimise the potential for fraud and corruption. Where fraud has been identified, management, in consultation with the Audit Manager, should review the control procedures to ensure that the opportunity to repeat the fraud is minimised.

Where appropriate, the Council will liaise with the Police if sufficient evidence exists for prosecution. This approach may be adopted in conjunction with the Council's own disciplinary procedures.

Whenever fraud has been proved, the Council will make every effort to recover the losses. The method used will vary depending on the type of loss and the regulations and powers available. All means of recovery including recovery under social security legislation, attachments ~~to~~ of earnings, civil court proceedings and criminal court compensation will be used as appropriate to the offence.

## 13.0 Publicity

The Strategic Management Team, with the agreement of the Leader of the Council, will deal with the Press and publicity in all matters regarding fraud and corruption. Where appropriate the details of all successful prosecutions for fraud may be released to the media through the ~~Senior~~ Communications ~~Team~~ Officer. Staff and Managers must not directly disclose to the press the details of any cases suspected or under investigation. Disclosure of details to the media without express authority would be regarded as a disciplinary matter. The aim is to publicise the Council's intolerance of fraud or corruption both within the Council and by users of its services, ~~it~~ it also serves to publicise our successes against those who would perpetrate such fraud or corruption against the Council.

## Version Control

~~Version 2 – December 2015~~ Version 3 – September 2019

# Anti-Bribery Policy



## 1.0 Policy Statement

Bribery is a criminal offence. We do not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we accept bribes or improper inducements.

To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

We are committed to the prevention, deterrence and detection of bribery. We have ~~a~~ zero-tolerance ~~towards~~ of bribery. We aim to maintain anti-bribery compliance as “business as usual”, rather than a one-off exercise.

## 2.0 Objective of this policy

This policy provides a coherent and consistent framework to enable the Council’s employees and Members to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees and Members to identify and effectively report a potential breach.

We require that all personnel, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and to safeguard the Council’s resources for which they are responsible
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates.

## 3.0 Scope of this policy

This policy applies to all Council’s activities. For partners (including shared service providers), joint ventures, contractors and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

The responsibility to control the risk of bribery occurring resides at all levels of the Council.

This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, ~~non-executives~~, agents, Members ~~(including independent members)~~, volunteers and consultants.

#### 4.0 This Council's commitment to action

This Council commits to:

- Setting out a clear anti-bribery policy and keeping it up-to-date.
- Making all employees and Members aware of their responsibilities to adhere strictly to this policy at all times.
- Making training available to permit recognition and avoidance of bribery.
- Encouraging employees, Members and others to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.
- Rigorously investigating instances of alleged bribery and assisting Police and other appropriate authorities in any resultant prosecution.
- Taking firm and vigorous action against any individual(s) involved in bribery.
- ~~Provide information to all employees to report breaches and suspected breaches of this policy.~~
- Include appropriate clauses in contracts to prevent bribery.

#### 5.0 The Bribery Act 2010

##### 5.1 Definition of Bribery

Broadly, the Act defines bribery as giving or receiving a financial or other advantage in connection with the "improper performance" of a position of trust, or a function that is expected to be performed impartially or in good faith.

Bribery does not have to involve cash or an actual payment exchanging hands and can take many forms such as a gift, lavish treatment during a business trip or tickets to an event.

##### 5.2 Offences

There are four key offences under the Act:

- bribery of another person (section 1) Note - It is still an offence for someone to offer a bribe even if it is not accepted

- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failure by a commercial organisation to prevent bribery - a corporate offence (section 7)

A *commercial organisation* will have a defence to the corporate offence of failure to prevent bribery if it can show that it had in place *adequate procedures* designed to prevent bribery by or of persons associated with the organisation.

### 5.3 *Is the Council a “commercial organisation”?*

Yes. The guidance states that a “commercial organisation” is any body formed in the United Kingdom and “...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made.”

### 5.4 *What are “adequate procedures”?*

Whether the procedures are adequate will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the organisation. It is for individual organisations to determine what procedures to adopt based on the six principles set out below.

### 5.5 *Six principles for bribery prevention*

- ***Proportionate procedures*** – An organisation’s procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the organisation’s activities. They are also clear, practical, accessible, effectively implemented and enforced.
- ***Top level commitment*** – The top-level management is committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.
- ***Risk assessment*** – The organisation assesses the nature and extent of its exposure to potential external or internal risks of bribery on its behalf by persons associated with it. This includes financial risks but also other risks such as reputational damage.
- ***Due diligence*** – The organisation applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

- **Communication (including training)** – The organisation ensures that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.
- **Monitoring and review** - The organisation monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

The Council is committed to proportional implementation of these principles.

## 5.6 Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a Magistrates' Court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both
- On conviction in a Crown Court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

Organisations are also liable for these fines and if guilty of an offence under section 7 are liable to an unlimited fine.

## 6.0 Bribery is not tolerated

It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure;
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them;
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided in return;
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy;
- engage in activity in breach of this policy.

## **7.0 Facilitation payments**

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

## **8.0 Gifts and hospitality**

This policy is not meant to change the requirements of our gifts and hospitality guidance, which can be found within the Conditions of Service. In summary, all gifts and hospitality offered to or received by officers should be reported to their [Head of Service/Manager/Executive Director](#) and recorded in a Register, regardless of whether they are accepted or not.

## **9.0 Public contracts and bribery offences**

Under the Public Contracts Regulations 2015, a Bribery Act conviction in respect of active bribery (section 1), passive bribery (section 2) or bribery of foreign public officials (section 6) gives rise to a mandatory exclusion from participation in public tenders. The offence of 'failure of commercial organisations to prevent bribery' (section 7) will not trigger mandatory exclusion, but may give rise to grounds in support of a discretionary exclusion.

## **10.0 Staff responsibilities**

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff are required to avoid activity that breaches this policy.

You must:

- ensure that you read, understand and comply with this policy
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil and criminal prosecution, staff who breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

## **11.0 Raising a concern**

The Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.

If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

There are multiple channels to help you raise concerns. Please refer to the Council's [Whistleblowing Policy](#) and determine the most appropriate course of action. Preferably the disclosure will be made and resolved internally. However, where internal disclosure proves inappropriate, concerns can be raised via your trade union, professional organisation or regulatory body (e.g. External Auditor). Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

In the event that an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation. We have clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind.

We are committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

If you have any questions about these procedures, please contact Gary Angell, Audit Manager either by email ([gary.angell@rother.gov.uk](mailto:gary.angell@rother.gov.uk)) or by telephone (01424 787709).

## **Version Control**

| ~~Version 2 – December 2015~~ [Version 3 – September 2019](#)

# Anti-Money Laundering Policy



## 1.0 Introduction

The Proceeds of Crime Act 2002 and the Terrorism Act 2000 place certain obligations on the Council and its employees regarding suspected money laundering.

Any employee could potentially 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. Failure to report these suspicions is a criminal offence.

This policy has therefore been adopted in order to provide guidance and introduce safeguards to help staff identify and report ~~on~~ instances where money laundering is suspected.

## 2.0 Objectives and Scope

The policy sets out the procedures which must be followed to enable employees to comply with their legal obligations.

The aim of this policy is to prevent criminal activity through money laundering by:

- raising awareness of the legal and regulatory requirements affecting both individuals and the Council as a whole; and
- helping employees to correctly respond to any concerns they may have about money laundering in the course of their dealings for the Council.

This policy applies to all employees, whether permanent or temporary.

## 3.0 What is Money Laundering?

### 3.1 *Definition*

Money laundering is generally understood to mean the process by which illegally acquired funds (i.e. from crime or terrorism) are moved through financial systems so that they appear to come from a legitimate source. However, the term also covers a range of activities, which do not necessarily need to involve money.

### 3.2 *Legislation*

The main requirements of the UK anti-money laundering regime are set out in the:

- Proceeds of Crime Act 2002 (as amended by the [Crime and Courts Act 2013](#), [Serious Organised Crime and Police Act 2005](#) and [further amended by the Serious Crime Act 2015](#));
- Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001, [and the Terrorism Act 2006](#) ~~and the Terrorism Act 2000~~ and [Proceeds of Crime Act 2002 \(Amendment\)](#) ~~further amended by the Money Laundering Regulations 2007~~);
- Money Laundering, [Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2007](#) ~~2017 (which supersede the Money Laundering Regulations 2007, 2012 and 2015)~~);

Whilst local authorities are not subject to the requirements of the Money Laundering, [Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2007](#) ~~2017~~, guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) indicates that they should still comply with the underlying spirit of the legislation and regulations by taking all reasonable steps to minimise the likelihood of money laundering, including putting in place proper policies and procedures.

### 3.3 *Legislative Requirements*

The main requirements of the legislation are:

- To nominate a Money Laundering Reporting Officer ([MLRO](#))
- Maintain client identification procedures in certain circumstances
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain record keeping procedures

### 3.4 *Offences*

Money laundering offences under the Proceeds of Crime Act 2002 include:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327);
- 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 328); and
- acquiring, using or possessing criminal property (section 329).

There are also two secondary offences:

- failure to disclose any of the three primary offences above; and
- “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.

The Terrorism Act 2000 includes the money laundering offence of becoming concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.

### 3.5 Penalties

The consequences for staff committing an offence are potentially very serious. Money laundering offences may be tried at a Magistrates’ Court or in the Crown Court, depending on the severity of the suspected offence. Trials at the former can attract fines of up to £5,000, up to six months in prison or both. In a Crown Court, fines are unlimited, and sentences from two to fourteen years may be imposed.

## 4.0 The Money Laundering Reporting Officer (MLRO)

The officer nominated to receive disclosures about money laundering activity within the Council is Robin Vennard, the [Service Manager — Finance & Welfare Assistant Director Resources \(Section 151 Officer\)](#).

<a href="#">Robin Vennard</a>	<a href="#">Telephone:</a>	<a href="#">01424 787711</a>
	<a href="#">Email:</a>	<a href="#">robin.vennard@rother.gov.uk</a>

[Alternatively, in](#) the absence of the MLRO, [Catherine Jobling](#), the [Financial Services Manager—Corporate Transformation Finance Manager \(Deputy Section 151 Officer\)](#) is the authorised deputy.

<a href="#">Catherine Jobling</a>	<a href="#">Telephone:</a>	<a href="#">01424 787714</a>
	<a href="#">Email:</a>	<a href="#">Catherine.jobling@rother.gov.uk</a>

## 5.0 How do I know when money laundering is taking place?

It is not possible to give a definitive list of ways in which to identify money laundering or how to decide whether to make a report to the MLRO. The following are types of risk factors which may, either alone or cumulatively, suggest possible money laundering activity:

- Payment of a substantial sum in cash (over £10,000),
- Payment of lower cash sums where cash is not the normal means of payment

- A new customer or use of new/shell companies
- A secretive customer – e.g. refuses to provide requested information without a reasonable explanation
- Concerns about the honesty, integrity, identity or location of a customer
- Illogical third party transaction such as unnecessary routing or receipt of funds from third parties or through third party accounts
- Involvement of an unconnected third party without logical reason or explanation
- Overpayments by a customer or payments of deposits subsequently requested back
- Absence of an obvious legitimate source of funds
- Movement of funds overseas, particularly to a higher risk country or tax haven
- Unusual transactions or ways of conducting business, without reasonable explanation
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational
- The cancellation or reversal of an earlier transaction
- Requests for release of customer account details other than in the normal course of business
- Transactions at substantially above or below fair market values
- Poor business records or internal accounting controls
- A previous transaction for the same customer which has been, or should have been, reported to the MLRO
- Lack of 'traceability' of persons involved
- Individuals and companies that are insolvent yet have funds

Facts that tend to suggest that something odd is happening may be sufficient for a reasonable suspicion of money laundering to arise.

## 6.0 What should I do if I suspect a case of money laundering?

Anyone who knows or suspects money laundering activity is either taking, or has taken, place **must** inform the MLRO immediately, either in person or in writing by completing Part A of the disclosure form included at the end of the policy.

**If you do not disclose information immediately, then you may be liable to criminal prosecution.**

If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 to 329 of the Proceeds of Crime Act 2002, then your report must include all relevant details, as you will need consent from the National Crime Agency, via the MLRO, to take any further part in the transaction.

You should make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent – e.g. a completion date or court deadline.

You must follow any subsequent directions from the MLRO but must not make any further enquiries into the matter or any related transactions.

You must not disclose or indicate your suspicions to the person suspected of the money laundering as this could be regarded as “tipping off” which is itself an offence. Similarly, you must not discuss the matter with others or note on the file that a report has been made to the MLRO in case this results in the suspect becoming aware of the situation.

## 7.0 What will the MLRO do?

The MLRO will consider the report and any other available internal information he thinks relevant. This may include:

- 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

The MLRO will undertake any other enquiries deemed appropriate and will ensure that all available information is taken into account before deciding whether a report to the National Crime Agency (NCA) is required. When making further enquiries the MLRO must avoid any action which could tip off those involved, or which could give the appearance of tipping them off.

The MLRO may also need to discuss the report with you.

If the MLRO concludes that there is actual money laundering taking place, or that there are reasonable grounds to suspect so, he will record his reasoning in Part B of the disclosure form (included at the end of this policy) and must submit a Suspicious Activity Report (SAR) to the NCA immediately.

If consent is required to proceed with transactions for any prohibited acts under sections 327 to 329 of the Proceeds of Crime Act 2002, this can also be requested when the MLRO submits his report.

The quickest and easiest way to submit a SAR is online via the NCA website [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk) (registration required). This provides instant confirmation and a reference number once the report has been received.

The system does not retain a file copy for your use, so the MLRO should keep [his own a](#) copy of the report.

**The MLRO will commit a criminal offence if he knows or suspects, or has reasonable grounds to do so, that another person is engaged in money laundering and he does not disclose this to the NCA as soon as practicable.**

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering, or he suspects money laundering but has a good reason for non-disclosure, then this must be noted accordingly on Part B of the disclosure form and consent given in writing for any ongoing or imminent transactions to proceed. The MLRO should consult with the [Council's Legal Services](#) before reaching a non-disclosure decision. If in any doubt, the MLRO should always disclose

## 8.0 Customer Due Diligence

The Money Laundering, [Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2007–2017](#) require 'relevant persons' (i.e. credit and financial institutions, audit and accountants firms, tax advisers and insolvency practitioners, independent legal professionals, trust or company service providers, estate agents, high value dealers and casinos) to perform additional checks when undertaking certain activities in the course of their business. This process is known as customer due diligence.

Customer due diligence measures consist of identifying and verifying the identity of the customer and any beneficial owner of the customer, and obtaining information on the purpose and intended nature of the business relationship. Regulated businesses are required to undertake these measures where they establish a business relationship, carry out an occasional transaction over 15,000 Euros (~~approx. £10,000~~), suspect money laundering or terrorist ~~finance~~ [financing](#) or doubt the accuracy of customer identification information.

The regulations concerning customer due diligence are detailed and complicated, and there is no legal obligation for local authorities to carry them out. However, Council employees are encouraged to adopt the regulations where practical to minimise the likelihood of money laundering.

The basic identity check for **existing business customers** is to verify that signed, written instructions on the organisation's headed paper ~~was~~ [were](#) obtained at the outset of the business relationship.

For **new business customers**, the Council can exercise due diligence by conducting some simple enquiries such as:

- checking with the customer's website to confirm their business address
- conducting an online search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors
- attending to the client at their business address
- seeking evidence of the key contact's personal identity (e.g. passport, photo ID card or driving licence) and position within the organisation.

If satisfactory evidence of identity is not obtained at the outset then the business relationship (or one-off transaction) ~~the transaction~~ should not proceed any further and you should report the matter immediately to the MLRO.

For further information on the customer due diligence requirements visit the money laundering regulations guidance on the [GovGOV.UK](https://www.gov.uk/guidance/money-laundering-regulations-your-responsibilities) website ~~found and go to~~ the following location: <https://www.gov.uk/guidance/money-laundering-regulations-your-responsibilities>

## 9.0 Other Customer Checks

Staff dealing with transactions which involve income should be suspicious of any unusual payments received from private individuals – e.g. in respect of council tax, benefit overpayments, sundry debtors, etc. In particular, the following practices may indicate potential money laundering:

- large payments of cash
- substantial overpayments of debts followed by a request for a refund (especially if this happens more than once)
- substantial overpayments by credit or debit card where a cheque refund is requested (also a potential indication of credit card fraud)

Suggested checks include:

- Assess whether the size/method of payment seems reasonable given the nature and value of the debt.
- Check whether substantial overpayments are due to a genuine mistake – e.g. the customer used the wrong payee details, accidentally made a duplicate payment or entered too many zeros on an Internet payment. (This excuse becomes less credible if the customer then repeats this behaviour once the matter is corrected.)
- Consider whether the customer requesting a refund is attempting to introduce intermediaries to either protect their identity or hide their involvement. (The safest policy is to always refund the originating card/bank account).

Preferably, all of the above checks should be carried out based on information already received rather than through further contact with the customer. Care must be taken to avoid “tipping off” the customer.

**If you are still suspicious about the transaction after carrying out the above checks, you should report the matter immediately to the MLRO.**

## 10.0 Record Keeping

All disclosure reports referred to the MLRO and reports subsequently made to NCA must be retained by the MLRO in a confidential file kept securely for that purpose, for a minimum of five years.

Where operational, evidence of customer due diligence checks and details of all relevant business transactions carried out for those customers must also be kept for at least five years.

## 11.0 Guidance and Training

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
- provide targeted training to those officers considered most likely to encounter money laundering.

NB Note – It is the duty of officers to report all suspicious transactions whether they have received their training or not.

## 12.0 Conclusion

Given the nature of the Council's services and for whom these services are provided, instances of suspected money laundering are unlikely to arise very often, if at all. However, we must be mindful of the legislative requirements, as failure to comply ~~with them~~ may render individuals liable to prosecution.

The Council believes that this policy represents a proportionate response to the level of risk faced.

### Version Control

~~Version 2 – December 2015~~ Version 3 – September 2019

## Money Laundering Activity – Disclosure Form (Part A)

To report suspected money laundering, complete this form and pass it to the Money Laundering Reporting Officer (MLRO) or Deputy MLRO

<b>From:</b>	Name:	
	Job Title:	
	<del>Department</del> <u>Service</u> :	
	Ext/Tel No:	

~~URGENT~~ ~~Yes/No~~ ~~[Delete as appropriate]~~

Date by which a response ~~needed~~is required: .....

### Details of suspected offence:

<b>Name(s) and address(es) of person(s)/<u>company/public body</u> involved and nature of business if a company/public body:</b>

<b>Nature, value and timing of activity involved (e.g. <i>what, when, where, how</i>):</b>

*[Continue on a separate sheet if necessary]*



CONFIDENTIAL

## Money Laundering Activity – Disclosure Form (Part B)

~~The following~~ This part of ~~the~~ is form ~~is to~~ must be completed by the MLRO

### SECTION 1 - ACKNOWLEDGEMENT AND REVIEW

Date report received: .....

Date receipt of report acknowledged: .....

<u>Date report received by MLRO:</u>	
<u>Date receipt acknowledged:</u>	

Consideration of disclosure to National Crime Agency (NCA):

<u>Action <del>Plan</del> taken to review the report:</u>

Outcome of consideration of disclosure:

<u>Are there reasonable grounds for suspecting money laundering activity?</u>

<u>If there are reasonable grounds for suspicion, will a <b>Suspicious Activity Report (SAR)</b> <del>report</del> be made to the NCA? [Delete as appropriate]</u>	Yes/No
--	--------

*If yes, please confirm the date ..... and reference number ..... of report to NCA (and then complete Section 2. If no, go straight to Section 3.~~the details below~~):*

### SECTION 2 - DETAILS OF LIAISON WITH THE NCA

<u>Date of Report:</u>		<u>Reference number:</u>	
------------------------	--	--------------------------	--

<u>Details of liaison with the NCA regarding the report:</u>		
<b>Notice Period:</b>	From:	To:

Note - The NCA has 7 working days starting the first working day after the consent request is made to refuse continuation of the activity. If no refusal has been received, consent is deemed to have been given and the activity may continue.

<b>Moratorium Period:</b>	From:	To:
<p><u>Note - If consent is refused during the notice period, a further 31 days starting with the day on which consent is refused must elapse before the activity may continue. In the absence of any action to restrain the activity by law enforcement during the moratorium period the activity may continue.</u></p>		
<p><b>Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts? [Delete as appropriate]</b></p>		Yes/No

**If yes, please confirm full details in the box below:  
Record of consent given by the NCA**

--

Date consent received from NCA:— .....

<u>Date:</u>		<u>Time:</u>	
--------------	--	--------------	--

**SECTION 3 - NON-DISCLOSURE**

**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:**

Note - Include details of any discussions with other Officers (e.g. Legal Services) together with their name(s) and the advice given.

--

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

.....

**SECTION 4 - RECORD OF CONSENT GIVEN BY MLRO**

Date consent given by you to employee:— .....

<b><u>Consent given by MLRO for the employee:</u></b>	<b><u>Date</u></b>
<u>To proceed with the transaction</u>	
<u>For any prohibited act transactions to proceed</u>	

**SECTION 5 - ANY OTHER RELEVANT INFORMATION**

**Any other relevant information:**

Signed: .....

Dated: .....

Print Name: .....

***THIS REPORT MUST BE RETAINED FOR AT LEAST FIVE YEARS***

# Whistleblowing Policy



## 1.0 Introduction

Rother District Council is committed to the highest possible standards of corporate governance including openness, probity and accountability in the delivery of its services to the people who live and work within the District. It is also committed to the prevention, deterrence, detection and investigation of all forms of fraud, theft or corruption. The authority has put in place a range of rules, regulations, procedures and codes of practice to deliver this commitment, but unfortunately malpractice and/or wrongdoing may still occur.

The Council is determined that the culture and tone of the organisation shall be one of honesty and strong opposition to fraud, corruption or any form of malpractice. There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with integrity and that employees, at all levels, will lead by example in these matters.

The Council's employees are an important element in detecting and preventing fraud, corruption or any form of malpractice. Employees are often the first to realise that there may be something wrong within the Council. However, they may be reluctant to speak up if their concerns are no more than a suspicion or if they feel that raising the matter would be disloyal to their colleagues or the Council.

The Council is not prepared to tolerate malpractice or fraudulent activity. Employees, and others that we deal with, are therefore positively encouraged to raise any concerns associated with the Council's activity at an early stage. This policy has been introduced to enable you to do this in confidence, without fear of victimisation, subsequent discrimination or disadvantage. The policy also encourages you to raise concerns within the Council (or if you feel that this is not appropriate then externally) rather than overlooking a problem.

## 2.0 Objectives and Scope

The objectives of this policy are to:

- encourage individuals to feel confident in raising serious concerns;
- provide a channel to raise those concerns (on an anonymous basis if necessary) and to have confidence that those concerns will be properly dealt with; and
- reassure staff that they will be protected from possible reprisals or victimisation if they have made the disclosure in good faith.

This policy applies to all employees of the Council (including agency staff, trainees and volunteers) as well as independent consultants, contractors, suppliers, elected Members (Councillors) and members of the public.

### **3.0 Definition of Whistleblowing**

The term 'whistleblowing' in this policy refers to any confidential disclosure of suspected wrongdoing in respect of anyone working for or associated with the Council.

### **4.0 Reportable Behaviour**

Any serious concerns about a Council's activity or the conduct of any of its officers, Members or agents should be reported using this procedure.

Potential areas of concerns may include:

- Any unlawful act, whether criminal (e.g. theft) or a breach of the civil law (e.g. breach of contract).
- Maladministration (e.g. unjustified delay, incompetence, neglectful advice).
- Breach of any statutory Code of Practice.
- Health and safety risks, including risks to the public as well as other employees.
- The unauthorised use of public funds (e.g. expenditure for [an](#) improper purpose).
- Fraud and corruption (e.g. to solicit or receive any gift/reward as a bribe).
- Breach of the Conditions of Service or Members' Code of Conduct
- Any unethical conduct.

[NBNote](#) – This list is not exhaustive.

This policy does not cover employees lodging grievances about their employment, or the public complaining about services that they have or have not received. There are separate Council procedures in place detailing the course of action for those circumstances.

### **5.0 Safeguards**

#### *5.1 Prevention of Harassment or Victimisation*

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you

when you raise a concern in good faith. Any member of staff found to be victimising you will be considered to be committing a serious disciplinary offence. If you experience any such pressure after raising a legitimate concern, tell someone in authority.

## 5.2 *Confidentiality*

Whilst the Council gives an assurance that it will not tolerate the harassment or victimisation of anyone raising a genuine concern, it recognises that nonetheless an individual may want to raise a concern in confidence under this policy. The Council will take steps to maintain your confidentiality throughout the process. However, it is possible that we will be unable to resolve the concern raised without revealing your identity (e.g. because your evidence is needed in court) but if this occurs we will discuss with you in advance how we can proceed.

## 5.3 *Anonymous Allegations*

This policy encourages you to put your name to any allegation you make. Concerns expressed anonymously are much less powerful, but they will still be considered for investigation at the discretion of the Council.

## 5.4 *Untrue Allegations*

No action will be taken against staff who make allegations in good faith if they are not confirmed by the investigation. Employees who report legitimate concerns under this policy are merely fulfilling their duty to the Council and will not therefore be at risk of losing their job/[position](#) or suffering any form of retribution. However, if an individual is found to make malicious or vexatious allegations it may be considered appropriate to take disciplinary action.

## 6.0 **How to Raise a Concern**

Any concerns that you have may be raised verbally or in writing. Concerns are better raised in writing giving the background, history and reason for the concern together with names, dates, places and as much information as possible. If you do not feel able to put your concern in writing then you can telephone or meet the officer you intend reporting to. Where appropriate, arrangements can be made for disclosures outside normal working hours.

**Remember – The earlier you express your concern the easier it will be to take action. If in doubt, raise it!**

The reporting route for concerns will depend on the seriousness and sensitivity of the issues and who is thought to be involved.

**If you are a member of staff**, agency staff, self-employed worker, contractor, or volunteer you can raise your concern or suspicion in the first instance with your line manager or [Head of Service Manager](#). (The officer receiving the allegation is then required to inform the Audit Manager and the Section 151 Officer and/or Monitoring Officer.) If this is not appropriate you can raise the issue directly with **one** of the following Designated Officers.

- Malcolm Johnston, Executive Director ~~of Resources~~
- Dr Anthony Leonard, Executive Director ~~of Business Operations~~
- Gary Angell, Audit Manager
- Robin Vennard, ~~Service Manager – Finance & Welfare Assistant Director Resources~~ (Section 151 Officer)
- ~~John Collins, Service Manager – Corporate & Human Resources (Monitoring Officer)~~ Lisa Cooper, Democratic Services Manager (Monitoring Officer)

**If you are a Councillor** you should approach one of the above Designated Officers directly.

Your choice of Delegated Officer should take into account the nature and seriousness of your concern and whether they might already be involved in the issue.

**NBNote** – Regardless of the route you take, the Designated Officer will be required to inform at least one of the Executive Directors if your concern leads to a formal investigation. However, only one Executive Director will usually be consulted in relation to the detail of your concern as the other may be required to deal with any further escalation or complaint about the conduct of an investigation.

**If you are a member of the public** then you are encouraged to raise any matters of concern directly with the Council by ringing 01424 787000 and asking for one of the Designated Officers listed above.

Concerns raised in writing should be submitted in a sealed envelope addressed to the appropriate Designated Officer at Rother District Council, Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX and marked '**Personal, private and confidential**'. If the concern is of a serious nature, the envelope should be hand delivered to the person to whom the matter is being reported.

**Anyone with a concern** also has the option of ~~reporting the matter direct~~ contacting the Audit Manager ~~direct by ringing the Council's confidential Fraud Hotline on 01424 787799~~. This may be done using one of the following methods:

- **Online:** By completing a Whistleblowing Form
- **By email:** By sending a message to [audit@rother.gov.uk](mailto:audit@rother.gov.uk)
- **By telephone:** By calling the Fraud Hotline on **01424 787799**
- **By post:** By writing to the Audit Manager at Rother District Council, Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX.

All Whistleblowing Forms and email messages are delivered direct to the Audit Manager and are only accessible by this officer. Similarly, all calls (and voicemail messages) received on the Fraud Hotline can only be answered (or accessed in the case of a message) by the Audit Manager.

All information received by the Audit Manager will be handled in the strictest confidence but you may still raise your concerns anonymously if you prefer.

In the event that the Audit Manager is absent for any sustained period of time (e.g. annual leave of more than 72 hours) then one of the Designated Officers listed above will be given secure access to any messages received.

Note – The Internal Audit Team are automatically sent an email alert whenever a whistleblowing referral is received meaning that they would know when to arrange for a Designated Officer to be given secure access. However, at no point are they able to view the content of the message themselves.

Alternatively, you can contact the Audit Manager in writing either by email at [audit@rother.gov.uk](mailto:audit@rother.gov.uk) or by completing the online Whistleblowing Form available on the Rother District Council website.

## **7.0 How the Council Will Respond**

The action taken by the Council will depend on the nature of the concern. The matters raised may:

- Be investigated internally by Management or Internal Audit
- Be referred to the Monitoring Officer
- Be referred to the Police
- Be referred to the External Auditor
- Form the subject of an independent inquiry.

You are encouraged to put your name to concerns. All cases reported will be considered, but concerns expressed anonymously are more difficult to action and investigate effectively. The Council will not expect you to prove that your concern is true, but you will need to demonstrate to the person contacted that there are reasonable grounds for you to raise the issue.

The following factors will be taken into account when establishing the scope and depth of any investigation:

- The seriousness of the issues raised
- The credibility of the concern
- The likelihood of confirming the allegation from other sources and information

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. Concerns or allegations that fall within the scope of specific procedures, for example, discrimination issues, will normally be referred for consideration under those procedures. Some concerns may be resolved by agreed action without the need for investigation.

All serious concerns will be investigated quickly using the most appropriate procedure. It is essential that your allegation is heard by an officer who is impartial and capable of taking an independent view on the concerns raised.

The amount of contact between you and the Designated Officer considering your concerns will depend on the nature of the matters raised, the potential difficulties

involved and the clarity of the information provided. If necessary, further information will be sought from you in a discreet manner. You have the right to be accompanied by a friend, colleague (not involved in the area of work to which the concern relates), trade union or professional association representative when attending any meetings.

The Designated Officer will respond to you within 10 working days acknowledging that your concern has been received and where required arrange an initial, confidential meeting to obtain any further information. This is to enable the Designated Officer to decide upon the best course of action, but should not be construed as an acceptance or rejection of the concern.

The Designated Officer will then decide whether an investigation is appropriate or not and, if so, what form it should take.

Owing to the variety of factors to take into account it is only possible to offer an estimate of the timescale for investigation, but the Designated Officer will keep you informed of progress – subject to legal constraints and matters of confidentiality.

## **8.0 How the Matter Can Be Taken Further**

This policy is intended to provide a channel for you to raise concerns within the Council. If you are not satisfied with the outcome of an investigation, and you feel it is right to take the matter outside the Council, the following are possible contact points:

- Relevant professional, government or regulatory bodies such as the Health and Safety Executive, Environment Agency, Financial Services Authority, HM Revenue and Customs, or HM Treasury
- Local Government Ombudsman
- External Auditor
- Police
- Recognised trade unions

In instances where staff decide to take the matter outside the Council they must always ensure that, in the first instance, the Council has been given an opportunity to fully investigate the issues raised. You will also need to ensure that confidential information is not disclosed unless relevant to your concern.

## **9.0 Independent Advice**

### *9.1 Council Employees*

The Council recognises that employees may wish to seek advice and be represented by their trade union when using the provisions of this policy and acknowledges and endorses the role trade union representatives play in this area.

It is worth remembering that your trade union, professional organisation or regulatory body can play a valuable role in assisting you raise your concerns under this policy.

## 9.2 *Members of the Public*

Organisations that may be able to provide specific advice, in addition to those listed in paragraph 8.0, include:

- Citizens Advice ~~Bureau~~
- [Protect \(formerly Public Concern at Work\)](#)

~~Public Concern at Work~~[Protect](#) is an independent charity that provides free advice to anyone who wishes to raise concerns about fraud or other serious malpractice. It can be contacted by telephone on 020 ~~7404 66093117 2520~~, or by email at [whistle@protect-advice.org.uk](mailto:whistle@protect-advice.org.uk), ~~pcaw.co.uk~~ or by completing an [online form](#).

## 10.0 **Relevant Legislation**

The Public Interest Disclosure Act 1998 aims to protect whistleblowers from victimisation and dismissal, where they raise genuine concerns about a range of misconduct and malpractice. It covers virtually all employees in the public, private and voluntary sectors, and certain other workers, including agency staff, homeworkers, trainees, contractors, and all professionals in the NHS. The usual employment law restrictions on minimum qualifying period and age do not apply.

A worker will be protected if the disclosure is made in good faith and is about:

- a criminal act
- a failure to comply with a legal obligation
- miscarriage of justice
- danger to health and safety
- any damage to the environment
- an attempt to cover up any of these.

The Act extends protection given to health and safety representatives to individuals who raise genuine concerns about health, safety or environmental risks. (The Employment Rights Act 1996 already gives some legal protection to employees who take action over, or raise concerns about, health and safety at work.)

Where a whistleblower is victimised following a protected disclosure, he/she can take a claim to an employment tribunal for compensation. If a whistleblower is dismissed, he/she can apply for an interim order to keep his/her job, pending a full hearing.

### **Version Control**

~~Version 2 – December 2015~~ [Version 3 – September 2019](#)

## Rother District Council

Report to	-	Audit and Standards Committee
Date	-	23 September 2019
Report of the	-	Executive Director
Subject	-	Treasury Management Report – July 2019

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**Recommendation:** It be **RESOLVED:** That the report be noted.

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**Corporate Transformation Manager – Catherine Jobling**  
**Assistant Director Resources – Robin Vennard**

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### **Introduction**

1. Council approved the Council's 2019/20 Investment Strategy in February 2019 (minute CB18/66 refers). The investment strategy requires regular reports to be presented to this Committee on the Council's treasury management activities. Members are also reminded that investment activity is also reported through the Members' Bulletin. In managing its treasury management activities, the Council follows the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).
2. Treasury Management covers two main areas:-
  - i. The management of day to day cash flows by way of short term investing and borrowing. Longer term investment opportunities may arise depending on cashflow requirements.
  - ii. Management of the Council's long term debt portfolio which is used to finance capital expenditure that cannot be immediately funded by internal resources (e.g.by using Capital Receipts).
3. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

### **Economic Update**

4. Appendix A is our treasury advisors, Link Asset Services', view on the current economic environment and their outlook for the remainder of 2019/20. It details the impact this is likely to have on the Council's investment performance.
5. After the August 2018 increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash in 2010, the MPC has put any further action on hold, probably until such time as there is some degree of certainty of what the UK will be heading into with Brexit. The above forecast, and other comments in this report, are based on a central assumption that there will be some form of agreement on a reasonable form of Brexit. Bank Rate forecasts will have to

change if this assumption does not materialise e.g. a no deal Brexit on 31 October may prompt the MPC to do an immediate cut of 0.5% in Bank Rate back to 0.25%. All other forecasts for investment and borrowing rates would also have to change.

### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

### **Financial Investments review**

6. The Council currently makes most of its investments through the use of call and deposit accounts with the major financial UK institutions.
7. In addition to this the Council has invested £5 million in the Churches, Charities, Local Authorities' (CCLA) Property Investment Fund and £3 million in the HERMES Property Investment Fund.
8. As at 31 July 2019 the Council's total investments were £31,796,676. There was £12,045 million of borrowing at 31 July 2019 and the Capital Financing requirement was £16.217 million.
9. The Council's investment policy is governed by Ministry of Housing, Communities and Local Government investment guidance, which has been implemented in the annual investment strategy approved by the Council in February 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).
10. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
11. The total income from investments is estimated at £164,819, slightly behind the profiled budget to July 2019 of £170,666, with an average rate of return on investments of 1.64%.

12. The investment portfolio as at 31 July 2019:

Deposit with	Type of account	Maturity Date	Amount £	Deposit	%
Lloyds (RFB)	Call Account		9,793,963	0.65%	30.80%
Bank of Scotland (RFB)	32 Days' notice		2,000,000	0.80%	6.29%
Bank of Scotland (RFB)	Call Account		6	0.65%	0.00%
Barclays (RFB)	Call Account		1,060	0.50%	0.00%
Santander	Call Account		1,649	0.55%	0.01%
Lloyds (RFB)	Deposit	17/01/2020	1,000,000	1.00%	3.14%
Lloyds (RFB)	Deposit	16/08/2019	1,000,000	1.05%	3.14%
Lloyds (RFB)	Deposit	24/04/2020	2,000,000	1.25%	6.29%
Lloyds (RFB)	Deposit	08/05/2020	1,000,000	1.25%	3.14%
Bank of Scotland (RFB)	Deposit	18/09/2019	3,000,000	1.05%	9.43%
Bank of Scotland (RFB)	Deposit	03/02/2020	1,500,000	1.05%	4.72%
Santander	Deposit	15/01/2020	2,500,000	1.00%	7.86%
HERMES Property Fund*	Long Term		2,999,998	2.88%	9.43%
CCLA Local Authority Property Fund*	Long Term		5,000,000	4.33%	15.72%
<b>Total</b>			<b>31,796,676</b>		100%
Total managed in-house			23,796,678		
Total managed externally			7,999,998		
<b>Total Treasury Investments</b>			<b>31,796,676</b>		

\* excludes capital return

13. Appendix B is our treasury advisors, Link Asset Services', view on investment returns. Appendix D is Link Asset Services' Country ratings update.

14. Appendix E contains an update to the Treasury Management Strategy Statement published in February 2019. The amendment is to include credit ratings of 20% of investments invested up to 1 year.

### **Prudential Indicators**

15. During the period to 31 July 2019, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities to the period ended 31 July 2019, with comparators, are as follows:

#### **Capital Expenditure in £ millions**

	2019/20 Original Budget £ (000)	2019/20 Revised Budget £ (000)	2019/20 Estimated Outturn £ (000)
General Fund Services	8,967	11,537	11,537
Investments	12,238	12,488	12,488
<b>Total</b>	<b>21,205</b>	<b>24,025</b>	<b>24,025</b>

**Capital financing requirement in £ millions**

	<b>2019/20 Budget £ (000)</b>	<b>2019/20 Revised Budget £ (000)</b>	<b>2019/20 Estimated Outturn £'000</b>
CFR	3,650	16,217	16,217
Gross borrowing	2,512	12,046	12,046
Internal borrowing	1,138	4,171	4,171
Investments > 1year	5,000	7,935	7,935
Investments under 1 year	17,000	25,287	17,000
<b>Total</b>	<b>22,000</b>	<b>33,222</b>	<b>24,935</b>
<b>Net Borrowing</b>	<b>(19,488)</b>	<b>(21,176)</b>	<b>(12,889)</b>

16. Other prudential and treasury indicators are to be found in the main body of this report. The Assistant Director Resources (Chief Finance Officer) also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, the authorised limit, was not breached.
17. The Council undertakes capital expenditure on long-term assets. These activities may either be:
- (a) Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- (b) If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
18. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

**Capital Expenditure and Financing 2019/20**

	<b>2019/20 Budget £ (000)</b>	<b>2019/20 Revised Budget £ (000)</b>	<b>2019/20 Estimated Outturn £'000</b>
Capital Expenditure	21,205	24,025	24,025
<b>Financing</b>			
Capital Receipts	1,930	3,198	3198
Grants and contributions	3,847	4,476	4,476
Borrowing	13,758	12,488	12,488
Capital Expenditure Charged to Revenue	1,670	3,863	3863
<b>Total Funding</b>	<b>21,205</b>	<b>24,025</b>	<b>24,025</b>

**Borrowing**

19. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2019/20 unfinanced capital expenditure (see above table), and prior years' net or

unfinanced capital expenditure which has not been paid for by revenue or other resources.

20. Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, such as the Government, through the Public Works Loan Board (PWLB), or the money markets, or utilising temporary cash resources within the Council.
21. The Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
22. The total CFR can also be reduced by:
  - The application of additional capital financing resources, (such as unapplied capital receipts);or
  - Charging more than the statutory revenue charge (MRP) each year through Voluntary Revenue Provision (VRP).
23. The Council's 2019/20 MRP Policy, (as required by MHCLG Guidance), was approved as part of the Treasury Management Strategy Report for 2019/20 in February 2019.
24. The Council's CFR for the year is shown below:

**CFR**

	<b>2019/20 Budget £ (000)</b>	<b>2019/20 Revised Budget £ (000)</b>	<b>2019/20 Estimated Outturn £'000</b>
Opening balance	3,650	3,756	3,756
Add unfinanced capital expenditure	16,136	12,488	12,488
Less MRP/VRP	<b>(156)</b>	<b>(27)</b>	<b>(27)</b>
Closing balance	19,630	16,217	16,217

25. Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.
26. The authorised limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council plans to maintain gross borrowing within its authorised limit.

Treasury Indicators	Original 2019/20 Budget £'000	Revised ** Actual (Apr to Jul) £'000
Authorised limit for external debt	20,000	57,400
Operational boundary for external debt	10,000	52,000
Gross external debt	12,488	12,046
Investments		33,287
Net borrowing		(21,241)

\*\*As amended by Council 8 July 2019 (Minute ref: C19/29)

27. The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
28. The actual financing costs as a proportion of net revenue stream identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Prudential indicators	2019/20 Budget £'000	2019/20 Estimated Outturn £'000
Capital expenditure charged to the general fund	1,670	3,863
Capital Financing Requirement (CFR)	19,630	16,217
Annual change in CFR	15,980	12,461
In year borrowing requirements	12,488	12,046
Ratio of financing costs to net revenue stream %	2.50%	2.59%

29. During 2019/20, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
30. The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed

in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the 31 July 2019 the Council's treasury borrowing position was as follows:

<b>Borrowing position as at 31 July 2019</b>					
<b>PWLB Ref:</b>	<b>Amount o/s</b>	<b>Interest rate</b>	<b>Term</b>	<b>Type</b>	<b>Repayments</b>
507499	447,776.00	2.59%	50	Annuity	16102.16
507503	447,770.00	2.58%	50	Annuity	16070.34
509130	1,650,000.00	2.39%	50	Annuity	56729.24
509131	1,000,000.00	2.24%	50	Maturity	22,400.00
509165	8,500,000.00	2.48%	50	Annuity	297571.66
<b>Total Borrowing</b>	<b>12,045,546.00</b>	<b>2.46%</b>			<b>408,873.40</b>

31. The maturity structure of the debt portfolio was as follows:

<b>Maturity structure of fixed rate borrowing</b>		<b>(Apr - July) Actual £'000</b>
Under 12 months		66
12 months to 2 years		234
2 years to 5 years		373
5 years to 10 years		686
10 years to 20 years *1		1,653
20 years to 30 years *1		2,114
30 years to 40 years *1		2,704
40 years to 50 years *1		4,215
Upper limit of fixed interest rates based on net debt		100%
Upper limit of variable interest rates based on net debt		50%
Upper limit for principal sums invested over 364 days	10,000	10,000

32. Appendix C is our treasury advisors, Link Asset Services', view on borrowing.

### Non-Treasury Investments

33. The Council has recently invested in the economic regeneration of Rother through its Property Investment Strategy and the expected income from these non-Treasury Investments is estimated as follows.

Property	2019/20 Estimated Property Investment Income		
	Income Property Investment Strategy	MRP & interest	Net Income
14 Terminus Road*	106,000	(32,091)	73,909
18-40 Beeching Road*	87,684	(48,435)	39,249
16 Beeching Road*	97,000	(48,435)	48,565
Glovers House	389,583	(190,133)	199,450
<b>Total</b>	<b>680,267</b>	<b>(319,094)</b>	<b>361,173</b>

\* Ground rent included in rental income

34. The budget for rental income from all investment properties is £1,939,000. This is made up of £970,000 for the existing assets and £969,000 for the properties purchased through the property investment strategy. The estimated outturn for 2019/20 is £1,650,267 a shortfall of £288,918. This equates to a 6.6% gross return on the value of all properties including those purchased under the Property Investment Strategy (PIS). PIS Properties after allowing for borrowing costs are generating an expected return of 2.92%. The Property Investment Panel met on the 31 July 2019 and considered the purchase of a commercial property in Eastbourne. This proposal was not supported by the Panel.

35. The performance of the non-Treasury investments can be summarised in the table below:-

Property	2019/20 Budget £ (000)	2019/20 Estimated Outturn £'000	Variation
14 Terminus Road*	74	74	-
18-40 Beeching Road*	39	39	-
16 Beeching Road*	49	49	-
Glovers House	199	199	-
Future properties	232	0	(232)
<b>Total</b>	<b>593</b>	<b>361</b>	<b>(232)</b>

## **Conclusion**

36. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. The investment environment for treasury activities remains very difficult with absolute returns continuing to be very low. The diversification into Property Funds has increased the net overall return but does come with a greater degree of capital risk than other investments and is less liquid. The Council's Property Investment Strategy has regeneration at its heart and is planned to generate returns in excess of 2% (net of borrowing costs), which is greater than predicted for treasury investments. Again this comes with greater risk due to the commitment to repaying borrowing and the direct operational risks of managing property.

Malcolm Johnston  
Executive Director

### **Risk Assessment Statement**

The risks arising from the Council's treasury investments and its non-Treasury investments are outlined in this report. Failure to follow the Council's investment strategy could increase the risk of financial loss

**During the quarter ended 30 June 2019 (*quarter 2 of 2019*):**

- Brexit was delayed until 31st October 2019;
- GDP rose by a solid 0.5% q/q in Q1, but contracted at the start of Q2;
- the fundamentals that determine consumer spending remained healthy;
- inflation bobbed around the Bank of England's 2% target;
- there was a widespread fall in investors' global interest rate expectations; and
- the MPC kept Bank Rate on hold at 0.75%, but struck a more dovish tone.

The economy posted a **stronger-than-expected expansion in Q1 of 0.5% q/q**, but that was probably a temporary high as activity was brought forward ahead of the original 29<sup>th</sup> March Brexit deadline. As a result, we doubt Q2 will be as good. Indeed, stock building added 0.9 ppts to the quarterly rate of GDP growth in Q1 as firms built up their stocks ahead of a possible no deal Brexit. Admittedly, a large chunk of these stocks were imported, so the net boost was smaller than this – perhaps around 0.3 ppts. Nonetheless, stock building will exert a similar *drag* on GDP growth in Q2.

In fact, the chances of the economy escaping a **quarterly contraction in Q2** seem to be receding in light of the latest survey and official data. GDP fell by 0.4% m/m in April, the largest monthly fall in three years. This partly reflected the decision by car manufacturers to bring forward their annual car plant shutdowns from August to April in case of a no deal. As a result, vehicle production dropped by 24% m/m knocking 0.2 ppts off overall GDP in April. Granted, the Society of Motor Manufacturers & Traders (SMMT) car production data suggest that these losses were recouped in May. After all, production rose by 60% m/m, which probably provided a 0.3 ppts boost to GDP in May.

Even so, GDP may still struggle to expand in Q2 as a whole – we have pencilled in a contraction of 0.1% q/q. Indeed, June's manufacturing PMI suggests the sector is still suffering from a Brexit-related hangover and a weak global economy and probably shrank in Q2.

What's more, household spending will probably fall short of the impressive 0.6% q/q rise in Q1. Retail sales volumes were flat in April and fell by 0.5% m/m in May. But a major slump in consumer spending in Q2 or further ahead seems unlikely.

Indeed, looking through the Brexit volatility, while consumer confidence has been relatively weak, the fundamentals that determine consumer spending have remained healthy. Admittedly, **employment** only rose by 32,000 in the three months to April, well below the 98,000 average monthly rise in 2018. But with the unemployment rate still at its 45-year low of 3.8%, the tightness in the labour market has pushed up wage growth. Indeed, the headline measure excluding bonuses nudged up from 3.3% in March to 3.4% in April – just below the decade high of 3.5%. And with inflation bobbing around the Bank of England's 2% target, **real wage growth has reached its highest rate since late 2016.**

**CPI inflation** dropped from 2.1% in April to 2.0% in May as the previous upward pressure on airfares due to the later timing of Easter unwound. Underlying price pressures look subdued too. Core services inflation fell from

3.1% to 2.9% in May and input price inflation dropped from 4.5% to just 1.3%, its lowest rate since June 2016. At the same time, output price inflation nudged down from 2.1% in May to 1.8%.

Nonetheless, there are still some reasons to think that CPI inflation will edge up at the end of the year as rising agricultural prices push up food inflation and core inflation starts to pick up now that the lagged effects of a fall in import price inflation have come to an end. What's more, the recent pick-up in wage costs is consistent with a **rise in core services inflation to just shy of 4% in early-2020**.

**Bank Rate.** Meanwhile, investors have reassessed the outlook for UK monetary policy and have gone from expecting rate hikes in early May to now expecting *cuts*. This is partly because of the weakening global outlook and rising expectations of rate cuts in the US and euro-zone. But growing concerns over a no deal Brexit have also weighed on expectations. Indeed, at the Treasury Committee in June, the Governor of the Bank of England, Mark Carney, gave the strongest hint yet that in a no deal Brexit, the Monetary Policy Committee (MPC) would cut rates. In that scenario, we think that rates would be cut fairly quickly from 0.75% to 0.25%.

Meanwhile, it wasn't surprising that the **MPC** kept Bank Rate on hold at 0.75% at June's meeting given the drop in GDP in April and inflation falling back to target in May. What was perhaps more surprising after its hawkish comments in May, was the Committee's new-found dovish tone. The MPC noted that "the near term data have been broadly in line with the May Inflation Report, but that **downside risks to growth have increased.**" It also sounded more concerned about the possibility of a no deal Brexit. Instead of chastising the market for underestimating how much interest rates might rise as it did in May, the MPC pointed out that "the ongoing tension between the MPC's forecast...of a smooth Brexit and the assumptions about alternative Brexit scenarios that were priced into financial market variables".

Turning to fiscal policy, regardless of the Brexit situation, all roads appear to lead to **looser fiscal policy**. There was good news for the Chancellor at the end of 2018/19. Public sector net borrowing (PSNB ex.) came in only just above the OBR's February forecast of £23.4bn in 2018/19 – a far cry from the £37.1bn the OBR predicted in March 2018. Admittedly, PSNB ex. will probably rise slightly this year due to a number of promises made by the current Chancellor Phillip Hammond in the 2018 Budget, including spending on the NHS. But the OBR's projections still suggest that there is around £27bn headroom against the current fiscal rule.

Indeed, both **Johnson and Hunt** are promising wider ranging and bigger tax cuts and spending rises with the policies announced so far adding up to £20bn and £40bn a year respectively. Of course, using up the headroom is not free money. It simply means that there is room to increase borrowing without breaking the current fiscal rule that the cyclically-adjusted budget deficit has to be below 2% of GDP in 2020/21.

Of course, how much borrowing rises depends on **the outcome of Brexit**.

- If a deal is reached, faster GDP growth would reduce public spending, raise tax revenues and cut the deficit, perhaps allowing fiscal policy to be loosened without borrowing rising at all.
- However, in a no deal, the weaker economy would push up the deficit. As a result, the new Chancellor would have to choose between keeping the fiscal rules intact or loosening fiscal policy to give the

economy a boost. We think that he/she would opt for the latter, arguing that exceptional circumstances allowed for his/her fiscal rules to be suspended.

The fact that both Johnson and Hunt seem willing to leave the EU without a deal means **the chances of a general election** and a Labour government have also risen, as Parliament may vote to bring down the government. Looser fiscal policy seems to be on the cards under a Labour Government too. Admittedly, Labour only plans to raise borrowing by a small amount, in part because it plans to pay for higher day-to-day spending with tax increases. But there is a big question mark over whether Labour would manage to raise as much money from its planned tax rises as it claims. Indeed, the Institute for Fiscal Studies thinks that, at best, Labour will raise £41bn rather than £49bn, leaving a “manifesto black hole” of nearly £10bn.

Turning to the **financial markets**, concerns over global growth and subsequent falls in interest rate expectations have caused **developed market bond yields to slump** – the 10-year gilt yield fell from 1.05% at the start of the quarter to 0.81%. However, lower interest rate expectations have supported increases in equities. The FTSE 100 finished the quarter around 2.5% higher although it underperformed compared to the S&P 500 perhaps since the FTSE 100 has a high concentration of energy firms, so the fall in oil prices over the quarter has probably weighed on its overall performance.

Meanwhile, despite the narrowing in the gap between 2-year government bond yields in the US and the UK to around 100bps, which would normally put upward pressure on sterling in relation to the dollar, **sterling** has fallen to \$1.26 this quarter. This is mainly because investors have become more concerned about a no deal Brexit with betting markets now pricing in about a 30% chance of a no deal compared with just 15% at the start of May.

Elsewhere, in the **US**, the markets are convinced the **Fed will start to cut rates in July**. But we think that a temporary truce in the trade war means it is slightly more likely that a cut will be delayed until September. However, a sharp slowdown in GDP growth in the second half of 2019 should still prompt the Fed to cut interest rates by a cumulative 75bps.

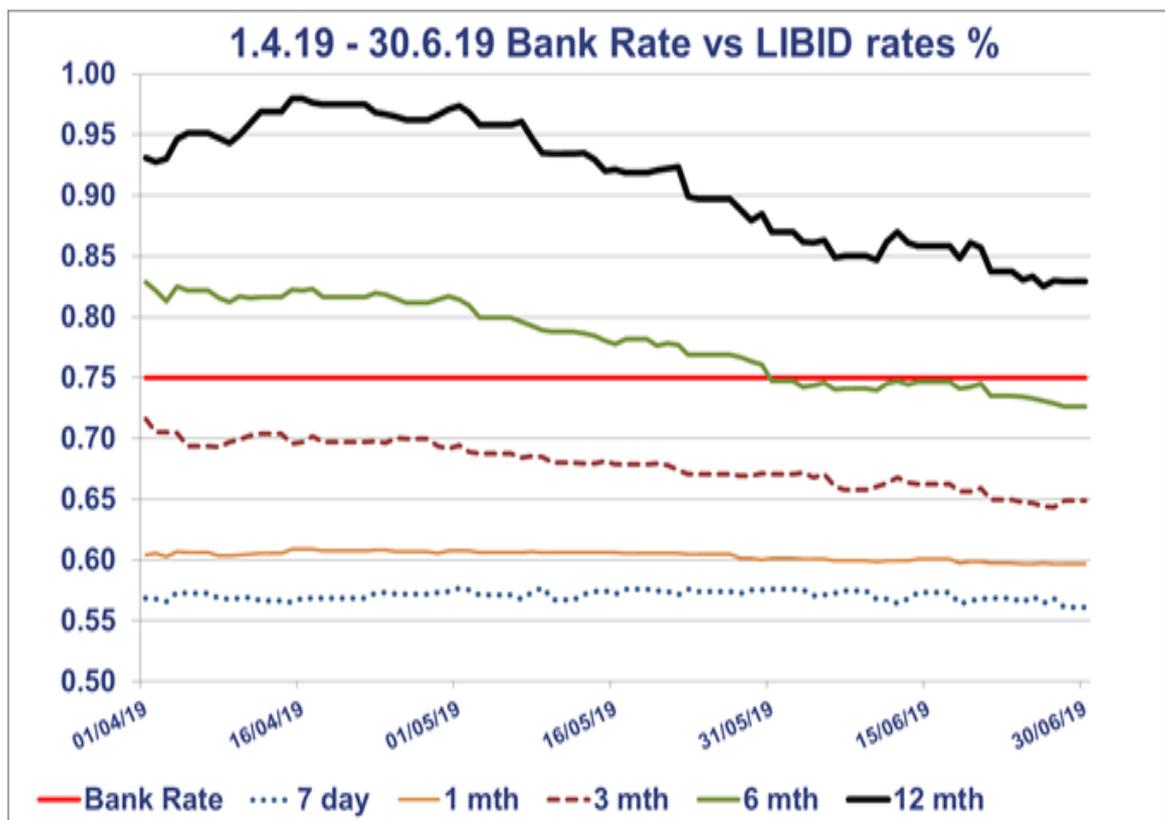
Meanwhile GDP growth in the **euro-zone** will probably only manage 0.2% q/q in Q2. Our expectations for interest rates in the euro-zone are roughly in line with market expectations – we have pencilled in a 10bps cut in September from -0.4% currently to -0.5%. What’s more, we expect the ECB to re-launch QE in October.

**Investment Rates**

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.20	1.30	1.40	1.40	1.40
6 Month LIBID	0.80	0.90	0.80	0.90	1.00	1.20	1.40	1.50	1.60	1.60	1.60
12 Month LIBID	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.80
5yr PWLB Rate	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.10	2.20	2.30	2.40
10yr PWLB Rate	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.60	2.70
25yr PWLB Rate	2.40	2.50	2.60	2.70	2.80	2.90	3.00	3.00	3.10	3.20	3.30
50yr PWLB Rate	2.30	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20

Longer term investment rates were on a falling trend during most of this quarter.



Our treasury management advisers, Link Asset Services provided us on 1 July with the following update to their interest rate forecasts. (Note – some updating has been done.)

Comparison of forecasts for Bank Rate today v. previous forecast											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
1.7.19	0.75	0.75	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50
7.5.19	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.50	1.50	1.50	1.75
change	0.00	0.00	-0.25	-0.25	-0.25	-0.25	0.00	-0.25	0.00	0.00	-0.25

- *We normally update our interest rate forecasts after the Bank of England releases its quarterly interest rate forecast. However, these are far from being normal times! What we have seen since our previous forecasts on 7 May, is a sharp deterioration of economic growth news, and expectations for growth, in the major economies of the world – the US, EU and China. This has led to a sharp downturn in government bond yields, lower than we previously anticipated. We, therefore, felt that we could not wait until the next quarterly Inflation Report on 1 August to take account of this sharp movement in financial markets.*
- *As for the UK itself and forecasts for Bank Rate, we have moved back our forecast for the first increase from quarter 1 2020 to quarter 3 2020. Our central assumption is that there will be a reasonable form of muddle through Brexit. But it is clear to all that there are very many uncertainties around this central assumption.*
- *In addition, we now also have a greater number of uncertainties around our Bank Rate and PWLB rate forecasts e.g.:-*
  - *when / whether Brexit will occur*
  - *hard Brexit / deal Brexit*
  - *will there be an extension of the Brexit deadline / would the EU agree to an extension?*
- *There are also a great number of uncertainties around the political situation and the Tory leadership contest e.g.:-*
  - *the fiscal policy changes proposed by both candidates to counter the effects of a hard Brexit through tax cuts etc.*
  - *how MPs will vote on Brexit and these fiscal proposals*
  - *how would the Bank of England respond to a major fiscal loosening*
  - *could MPs vote to revoke article 50 (withdrawal from EU)*
  - *whether there could be a general election if the Commons ends up in stalemate*
  - *the chances of a no deal Brexit increasing, as negotiating a deal before 31 October looks challenging*
- *In order to make any forecast we have, as previously mentioned, had to make one central assumption – a reasonable muddle through outcome for Brexit. If the facts change, our forecasts will also change. As events unfold it is possible we may see 50bps movement in rates and yields at any time e.g. a hard Brexit could result in an immediate 50 bps cut in Bank Rate. But that is not our central assumption.*
- *Our key advice to clients in the midst of such large-scale uncertainties is to focus on managing risk, rather than making a bet on one outcome or the other.*
- *A key issue facing all central banks, except the US Fed, is that they have very little ammunition, in terms of normal monetary policy measures, to take action to counter the next economic downturn. The Bank of England and the MPC will have an agenda to restock their ammunition*

*by raising Bank Rate as soon as is feasible, and, at a later time, possibly unwinding quantitative easing.*

- *On the international scene, after the Fed raised central rates to 2.25% – 2.50% on 19 December, it now appears that the chance of any further increases has probably ended and markets are now forecasting cumulative cuts of 1% to 1.25% over the next year or so.*
- *The ECB has had to change tack to committing to put more monetary stimulus into the economy in order to stimulate lack lustre economic growth. Core inflation is likely to stay well below its target rate. It is becoming increasingly likely that there could be some marginal change downwards in the current negative central rates and a resumption of quantitative easing in order to stimulate economic growth and so encourage a rise in inflation towards its target of near to, but under, 2%.*
- *Economic growth prospects in China have also cooled despite various monetary policy measures to stimulate economic growth.*

### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore over or under-do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March 2018 of a government which has made a lot of anti-austerity noise. The EU is again in the midst of a sharp disagreement with Italy over setting a budget within the limits of EU rules. The rating agencies have already downgraded Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold Italian debt. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance over €200bn of debt maturing in 2019. However, the biggest concern is the major holdings of Italian government debt held by Italian banks and insurers. Any downgrading of such debt would cause Italian bond prices

to fall, causing losses on their portfolios, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc. This is the so called ‘**doom loop**’. Due to the Italian government’s already high level of debt, it would not be able to afford to bail out the banking system. **Portugal** faces the same problem as its debt is also only one notch above junk level.

- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel’s CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party’s convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health.
- **Other minority EU governments.** Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- The increases in interest rates in the US during 2018, combined with an on-off potential trade war between the USA and China, sparked major volatility in equity markets during the final quarter of 2018 and into 2019. Some **emerging market countries** which have borrowed heavily in dollar denominated debt could be particularly exposed to investor flight from equities to safe havens, typically US treasuries, German bunds and UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- **The Fed causing a sudden shock in financial markets** through misjudging the timing, direction and pace for the next movements in the Fed Funds Rate and in changes in levels of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from

bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

## **LINK ASSET SERVICES' FORECASTS**

We do not currently think that the MPC would increase Bank Rate before any clearing of the fog on Brexit. We have pushed back our first increase in Bank Rate from February 2020 to August 2020. Our forecast for the end of the three year forecast period has been lowered from 1.75% to 1.50%.

Financial markets, (short sterling rates), are now expecting a first increase in Bank Rate towards the end of 2023.

Forecasts for average investment earnings beyond the three year time horizon will be heavily dependent on economic and political developments.

### **Gilt yields and PWLB rates**

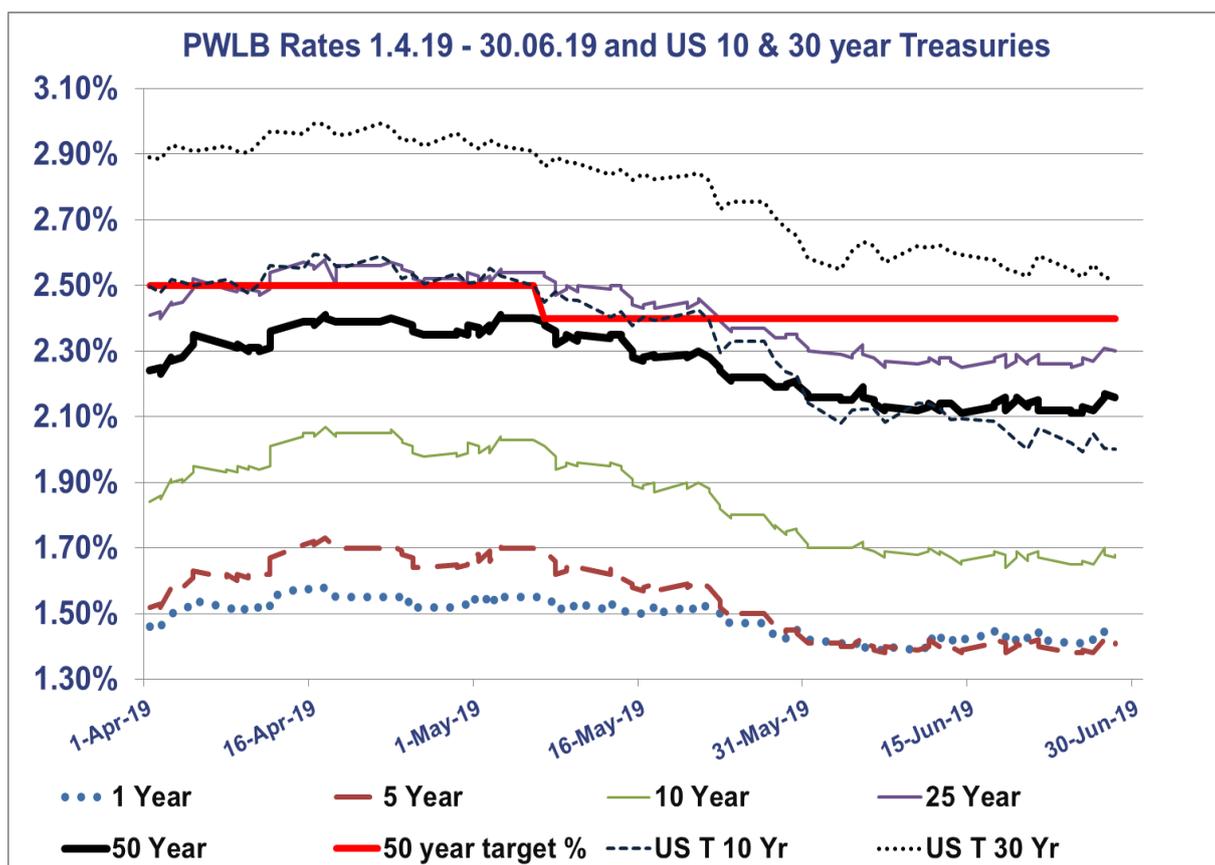
The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more “risky” assets i.e. equities, or the “safe haven” of government bonds. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently, although there are likely to also be periods of sharp volatility from time to time.

We have pointed out consistently that the Fed. Rate was likely to go up more quickly and more strongly than Bank Rate in the UK, but now it is likely to fall before the second stage of any UK monetary policy tightening.

Our forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU, (apart from the departure of the UK), within our forecasting time period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth. However, the current round of increases in tariff rates sparked by President Trump, both actual and threatened, are causing on-going concern around the potential impact on world growth and also on inflationary pressures.

**Borrowing**

PWLB rates have been on a general falling trend during most of this quarter to reach lows during June. This fall has been largely caused by a fall in US Treasury yields as investors have become increasingly concerned that the US economy is heading towards a sharp fall in GDP growth. The 50 year PWLB target (certainty) rate for new long term borrowing started at 2.50% and fell to 2.40%.



	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2019	1.46%	1.52%	1.84%	2.41%	2.24%
30/06/2019	1.43%	1.41%	1.68%	2.30%	2.16%
Low	1.39%	1.38%	1.64%	2.25%	2.11%
Date	06/06/2019	07/06/2019	18/06/2019	07/06/2019	14/06/2019
High	1.58%	1.73%	2.07%	2.58%	2.41%
Date	15/04/2019	17/04/2019	17/04/2019	17/04/2019	17/04/2019
Average	1.49%	1.55%	1.86%	2.42%	2.26%

*Based on lowest available rating*

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

## Creditworthiness Policy

1. This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:
  - credit watches and credit outlooks from credit rating agencies;
  - CDS spreads to give early warning of likely changes in credit ratings; and
  - sovereign ratings to select counterparties from only the most creditworthy countries.

2. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:

Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	not to be used

3. The credit ratings have been updated since February 2019 to include the orange credit rating

4.

	Colour	£limit or % of Fund Limit	Time Limit
Banks and Building Societies – part nationalised	Blue	30%	1 yr
Banks and Building Societies	Red	50%	6 months
Banks and Building Societies	Green	50%	100 days
Banks and Building Societies	Orange	20%	1yr
Banks and Building Societies	No colour	Not to be used	N/A
Council's banker	Not applicable	Unlimited/ 100%	1 day

## AUDIT AND STANDARDS COMMITTEE

<b>WORK PROGRAMME 2019 - 2020</b>	
DATE OF COMMITTEE	SUBJECT
<b>Monday 23 September 2019</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Independent Person Recruitment</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Report to 30 June 2019</li> <li>• Revised Anti-Fraud and Corruption Framework</li> <li>• Treasury Management Report</li> <li>• UK Exit from the European Union (BREXIT)</li> <li>• Unit 4 Systems Administration</li> </ul>
<b>Monday 9 December 2019</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct Complaints Monitoring</li> <li>• Local Government Ombudsman Complaints Monitoring and Annual Review 2018-2019</li> <li>• Review of Local Government Ethical Standards – Assessment of the Council’s Best Practice</li> <li>• Appointment of Independent Person</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• BDO – Annual Audit Letter 2018-19</li> <li>• Internal Audit Report to 30 September 2019</li> <li>• Annual Risk Management Update</li> <li>• Treasury Management Update Report</li> <li>• Revised Procurement Strategy</li> </ul>
<b>Monday 23 March 2020</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Grant Claim Certification for the year ended 31 March 2019</li> <li>• Grant Thornton – Audit Plan 2019-20</li> <li>• Internal Audit Report to 31 December 2019</li> <li>• Internal Audit Plan 2020-21</li> <li>• Review of Internal Audit 2019-20</li> <li>• Treasury Management Report</li> </ul>
<b>ITEMS FOR CONSIDERATION</b>	
Whistleblowing report	

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