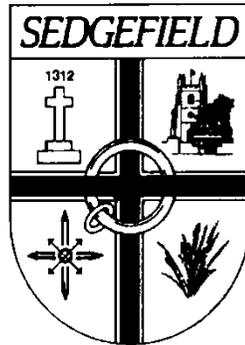


# Sedgefield Town Council



## MEDIUM TERM FINANCIAL PLAN

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Page 1 of 53

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

# SEDGEFIELD TOWN COUNCIL MEDIUM TERM FINANCIAL PLAN

## Contents:

Section:	Title:	Page No.
	Introduction	3
1.	Purpose of Medium Term Financial Plan	3
2.	Timescale of Medium Term Financial Plan	4
3.	Financial Principles	4
4.	National Context – Financial Implications	6
5.	Local Context – Financial Implications	9
6.	Key Financial Assumptions	10
6.1.	Income – Financial Assumptions	11
6.2.	Expenditure – Financial Assumptions	13
7.	Key Financial Challenges Facing Sedgefield Town Council	15
8.	Key Financial Opportunities Facing Sedgefield Town Council	16
9.	Previous and Predicted Budgets	18
10.	Future Development of Medium Term Financial Plan	28
11.	Conclusion	28
<b>Appendices:</b>		
No.	Title	Page No.
1	Investment Policy	30
2.	Anti-Fraud and Corruption Policy	34

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

## **INTRODUCTION:**

This Medium Term Financial Plan was adopted by the Town Council's Policy & Resources Committee on 14<sup>th</sup> January 2019 and will be reviewed on an on-going basis by the Council's Finance Working Group and represented to the P&R Committee annually.

### **1. Purpose of Medium Term Financial Plan:**

The purpose of this Medium Term Financial Plan helps to stabilise the Council's finances by putting in place a more strategic approach to the planning of the Council's spending. It also helps to ensure that there is a clear link between the Council's strategic aims and priorities and the resources that are likely to be available to help fund the delivery and achievement of those over the next three years. In developing the Medium Term Financial Plan it is important to establish the key financial principles on which the Plan will be based, and to put in place a financial planning framework to provide the guidelines for the annual budget setting process.

The objectives of this Plan are as follows:

- To ensure a strategic approach is taken in the planning of the Council's future spending and finances;
- To put in place a clear, understandable and forward looking financial planning framework;
- To ensure the Council regularly reassesses and reviews the cost of its services;
- To help demonstrate and continue to achieve value for money in the use of public resources;
- To enable the Council to allocate resources to achieve the corporate strategic objectives;
- To enable the Council to understand its key financial pressures and likely long term implications of its decisions;
- To identify future financial impacts of both policy decisions and external factors so that risks can be managed;

Page 3 of 53

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

- To control precept rises and look for external funding, where appropriate;
- To develop an Asset Management Plan to ensure good use is made of assets and facilities;
- To maintain the Council's reserves at a prudent level.

## **2. Timescale of Medium Term Financial Plan:**

Strategic financial planning is of particular importance in the current economic climate and at a time when significant cuts continue to be made to public sector spending by Central Government in order to facilitate the reduction of the national budget deficit. The Medium Term Financial Plan sets out the national and local financial climate within which the Town Council will be working over the next 3 years and highlights the key financial challenges that it faces as well as the strategic aims and priorities that it will be striving to deliver. The timescale for this Medium Term Financial Plan is 2018/19 – 2020/21.

## **3. Financial Principles:**

The Medium Term Financial Plan will be based on the over-riding principle of Value For Money. This will be achieved by regularly reviewing services and monitoring performance to ensure that services continue to be relevant, well managed and cost effective, regularly testing the market, internal and external audit, and ensuring that all staff are aware of and committed to achieving value for money. The Council is also committed to achieving internal efficiency savings and will continue to work hard to keep future council tax increases to a minimum. In order to ensure this, the following set of financial principles will be put in place for the period of this Medium Term Financial Plan:

- A strong financial strategy enabling the Council to take a long-term view of its finances, achieving greater stability and enhancing its ability to be proactive and have the capacity to take advantage of any opportunities and meet any challenges that may arise.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

- A level of affordable and sustainable spending in the long-term which supports the effective delivery of services in line with strategic aims.
- A prudent, realistic assessment of future revenue spending commitments, capital investment requirements, levels of income, tax base and availability of external grant funding.
- A strong culture of financial management where continuous improvement and a drive for more economic, efficient and effective ways of working and use of resources is adopted.
- A prudent level of reserves that protects the Council against unforeseen budget pressures, provides the resources to finance capital investment commitments and enables the Council to be proactive and take advantage of any opportunities that may arise (See Appendix 1 – Investment Policy).
- An effective and responsive finance service, which provides sound financial information to Councillors and Officers.

In order to meet these principles the Council’s Financial Reporting Framework is as follows:

- Income and expenditure budgets for the current financial year will be produced and presented to Councillors in each Policy & Resources Committee meeting;
- Income and expenditure budgets for the current financial year will be monitored monthly by the Finance Working Group.

The following Financial Planning Framework is also in operation within the Council:

- Income and expenditure budgets will be produced annually.
- Income and expenditure budgets will be developed in accordance with the principles and assumptions set out in the Medium Term Financial Plan.
- VAT will be reclaimed on a 6 monthly basis.
- In allocating resources, priority will be given to those areas of spending that contribute to the achievement of strategic aims and targets.
- Budgets will be prepared on the basis of a commitment to efficiency savings.
- Budget resources will be redirected from low priority to high priority areas as and when necessary.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

- The Council will, on a continuous basis, monitor the national and local context within which it operates in order to anticipate external issues which could impact upon finances so that appropriate pre-planning can take place in as many instances as possible.
- Additional budget to meet new statutory requirements and unavoidable budget growth, e.g. inflation and changes in demand will be clearly identified and fully evidenced.
- All other requests for additional budget resources and investment in services will need to be fully justified and evidenced.
- The financial implications of the recommendations from any Council Committee will be incorporated into the budgets.
- Council reserves will be maintained at prudent levels that protect the Council against unforeseen budget pressures and liabilities and provide the resources to finance future year's capital investment commitments as set out in the Council's Investment Policy (see Appendix 1).

All financial activity undertaken by the Town Council must be in accordance with its Financial Regulations.

#### **4. National Context – Financial Implications:**

The development of the Council's Medium Term Financial Plan must take place within the context of the national economic, political and legislative situation. This section outlines in more detail the main national issues that are likely to affect the Town Council over the next three years and that will need to be taken into account in this Medium Term Financial Plan.

- Current Economic Climate: The country's economy remains fragile and the implications of Brexit are yet to be understood. Inflation continues to run above Government targets, interest rates remain at a record low, consumer spending power is much reduced and unemployment, particularly in the North East, is high.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

- Government Spending Reviews and Public Sector Cuts: public sector borrowing and the national deficit remain high and Central Government is continuing to implement its deficit reduction plan to facilitate the reduction of the deficit and the recovery of the economy. This has included a combination of significant public sector expenditure cuts, reform of local government finance, tax rises and welfare reforms. Whilst the Town Council has, up to now, been relatively sheltered from the public sector spending cuts, the Government Spending Reviews have had a significant impact on Durham County Council. It has faced substantial cuts to its funding and the next 12 months are a crucial time as the findings of the next Comprehensive Spending Review, Fair Funding Review and Brexit outcome are awaited. Austerity is on-going with no anticipated end date. This has, and will inevitably continue, to result in cuts to services and jobs with previously protected front-line services now being challenged. It is possible that there will be implications for the Town Council as a result of the difficulties faced by Durham County Council.
- Localisation of Support for Council Tax / Council Tax Base: The Welfare Reform Act 2012 abolished the national council tax benefits system with effect from 1<sup>st</sup> April 2013, paving the way for the implementation of the new Local Council Tax Reduction Scheme (LCTRS) by council tax billing authorities. Previously council tax benefits were administered centrally by the government and paid to principal councils via a subsidy system. However, the new LCTRS schemes are based around a discount on the council tax bill rather than a cash payment and this has therefore had the impact of reducing the Council Tax Base and therefore the tax raising capacity of all local authorities including Town Councils. The Government provided funding for LCTRS but this was set at 90% of the total cost of council tax benefits, with billing authorities expected to fund the shortfall through the design of their local schemes, for example by reducing entitlements for working age claimants, making changes to council tax exemptions and discounts, or by making savings elsewhere in their budgets. A proportion of the LCTRS funding was specifically set aside for Town and Parish Councils and there is an 'expectation' that billing authorities pass this funding on. With effect from 2013/14 Durham County Council have withdrawn the double taxation grant payable to Town and Parish Councils. This has left many Councils facing the prospect of increasing the council tax in order to achieve a stand still budget. With effect from 2014/15 the LCTSS funding is no longer identified as a specific grant by the Government and is now included in Durham County Council's overall funding assessment. This means that the LCTSS funding will now be linked to the reductions made to local government funding

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

in Government Spending Reviews. Durham County Council has so far continued to pledge to pay LCTRS to Town and Parish Councils in County Durham and have confirmed this will be the case in 2019/20.

- Referendums to Veto Excessive Council Tax Increases: Central Government introduced legislation within the Localism Act 2011 to provide a stronger role for the local community in determining annual council tax increases by giving local tax payers the power to require local authorities to hold referendums giving them the opportunity to veto ‘excessive’ increases in council tax. These powers replaced the council tax capping powers and came into effect from 2012/13. The 2013/14 limit set by the Government was 2%. Currently this legislation does not apply to Town and Parish Councils although the Government has stated that it may be applied in future years, if restraint is not shown by the sector. It has been assumed for the purposes of this Medium Term Financial Plan that these powers will not be applied, and that the Town Council will be free to set an annual increase in the precept and council tax, as may be required to fund its spending commitments and the cuts that are likely to be made to LCTRS between 2018/19 and 2020/21. However, there would be implications for the Council in future years if this legislation was extended to Town and Parish Councils.
- Localism Act 2011: The Localism Act came into force in 2011 and contained a package of reforms, closely linked to the ‘Big Society’ concept, to devolve greater powers, responsibilities and freedoms to local councils, community organisations, neighbourhoods and individuals. The four main measures of the Localism Act are:
  1. New freedoms and flexibilities for local government
  2. New rights and powers for communities and individuals
  3. Reform to make the planning system more effective and
  4. Reform to ensure that decisions about housing are taken locally

The key measure for local councils is the freedom to act in the interest of local communities through a new ‘General Power of Competence’. This power gives local authorities the legal capacity to do anything that an individual can do, rather than relying on specific powers. This power applies as long as the action is not specifically prohibited by legislation. However, it is important to note that the power does not raise money. Sedgefield Town Council re-adopted this power at its AGM on 14<sup>th</sup> May 2018. This should now increase the Town Council’s ability in future years to be creative and innovative in meeting the needs of the local community should the operational capacity and resources be

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

available to do so. The Localism Act 2011 also introduced greater powers for local people and community organisations to hold the Council to account including:

1. A right to challenge to take over services
2. A right to bid for assets of community value
3. A right to veto excessive council tax increases
4. Increased transparency over public sector data

## **5. Local Context – Financial Implications:**

As well as taking into account national issues, it is also important the Town Council's Medium Term Financial planning process takes into account local issues specifically relevant to the Parish of Sedgefield as follows.

The Government's last Comprehensive Spending Review resulted in a substantial reduction in grant funding for DCC and the outcome of the next such Review is as yet unknown. The situation facing the County Council could impact upon Sedgefield Town Council in a number of ways:

- Cuts be made to the LCTRS grant: In order to calculate the possible changes that may be required to the level of precept Tax over the medium term, assumptions need to be made around the likely movement in Council Tax Base. The Council Tax Base is a calculation of the number of chargeable properties within a particular area for council tax purposes. The Tax Base when divided into the Council's Precept calculates the Band D Council Tax figure. It is possible that the Tax Base will benefit from new housing development over the life of the Medium Term Financial Plan as there are potentially a number of new housing sites currently being considered in the Parish area. However, the certainty of these are not assured and it is not considered prudent to provide for any significant increase in the Tax Base from new housing development. Durham County Council has resolved to pass on the LCTRS which it receives as part of its block grant allocation pro-rata based on the year on year reduction seen in its settlement. It is currently reviewing the interaction of changes in grant modelled against projected changes in tax base across the county. The current round of predicted reductions in central grants to the county council

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

suggest that these may reduce more quickly than currently projected by Durham County Council. Figures below for Sedgefield Town Council show the LCTRS received. Durham County Council have pledged to continue to pay LCTRS in 2019/20 beyond that date is unknown at present.

	£	Year on Year Increase / Reduction (£)
Actual 2017/18	£10, 744.00	Not applicable
Current 2018/19	£11, 172.00	+£428
Forecast 2019/20	£7,352.00	-£3820
Forecast onwards	2020/21 Unknown	Unknown

- The Town Council may receive requests to give financial support to community and voluntary organisations whose funding has been reduced or cut altogether by Durham County Council;
- Requests may be received from Durham County Council for Sedgefield Town Council to consider taking on devolved services or to undertake further joint working initiative either of which would have financial implications;
- There may also be occasions where the Town Council may wish to step in to safeguard local services and facilities at risk of being cut or ceased by Durham County Council.

## 6. Key Financial Assumptions:

Summarised in this section of the Plan are the specific assumptions that have been made in planning the Council's Income and Expenditure budget forecast over the 3 year period 2018/19 – 2020/21.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

## 6.1. Income – Financial Assumptions:

- Parish Hall Income – The income budgets for the Parish Hall have been based around the current usage levels. This means that while no assumption has been made of any material increase in usage, it has also been assumed that there will be no fall from existing usage. Parish Hall hire fees are to be comprehensively reviewed when the Hall’s refurbishment project is completed but until that point in time it is envisaged that hire fees will remain as currently charged.
- Ceddesfeld Hall Rental Income – The rental income for Ceddesfeld Hall is received annually from the SCA. A new lease for Ceddesfeld Hall has now been agreed. The next rent review will take place in 2020 and will be increased by reference to the Retail Price Index (RPI). For the purpose of this Plan the rental income for Ceddesfeld Hall will remain as currently charged.
- Cemetery Lodge Rental Income – The Town Council has agreed to sell Cemetery Lodge once it has been able to isolate the property from the operational role of Butterwick Road Cemetery, i.e. when a new access has been identified and created. Until this point in time the Lodge is rented out on a short-term let overseen by a local Estate Agent who advise the Town Council on the most appropriate rental income per month based upon the current market rate. For the purpose of this Plan it is envisaged that rental income for Cemetery Lodge will continue as currently charged.
- Allotments Income – The Town Council has recently undertaken a comprehensive review of its allotment usage which has resulted in a number of large plots being split into two smaller plots for ease of maintenance by plot holders. Allotment charges were increased in 2018/19 with new charges coming into force on 1<sup>st</sup> April 2018. For the purpose of this Plan it is envisaged that rental income from Allotments will continue with an annual increase of 2%.
- Cemeteries Income – A 2% annual increase has been assumed in cemeteries charges, while the number of interments has been assumed to be in-line with existing levels. Due to decreasing capacity within the existing Cemetery, and until the Council’s planned Cemetery expansion project is completed, the

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

Town Council has changed its rules to not permit pre-purchasing of grave spaces. Whilst this will assist with capacity it does have an implication upon income.

- Annual Precept Increase – The budget forecast has been prepared on the principle of keeping the required increase in the precept as low as possible over the period of the Medium Term Financial Plan.
- Council Reserves – In accordance with Section 25 of the Local Government Act 2003, an annual assessment of the adequacy of the Council’s balances and reserves is made at the time the Council Budget is set. This assessment is based upon a guidance note on Local Authority Reserves and Balances issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is considered best practice with regard to balances and reserves (LAAP Bulletin 77). The guidance states that no case has yet been made to set a generally applicable minimum level of reserves and that local authorities, on the advice of their Responsible Financial Officer, should make their own judgements taking into account all of the relevant local circumstances. In assessing an appropriate level of balances, a well-managed authority should ensure not only that reserves are adequate, but also that they are necessary. Reserves should not be held without a clear purpose. A Council with a prudent approach to setting its budget should be able to operate with a level of general balances appropriate for the risks to which it is exposed, supported by earmarked reserves which are set aside for specific needs and commitments. In coming to a view on the adequacy of the Town Council’s balances and reserves, account therefore needs to be taken of the risks facing the Council in terms of any significant unforeseen spending commitments and possible cuts to funding, as well as the capital investment requirements of the Council over the medium term, taking into account the ability of the Council to secure capital contributions, undertake additional borrowing or generate capital receipts.
- Investments - The Council invests its surplus reserves either in a higher interest bank account or, on a fixed term basis, in a bank treasury deposit investment as well as a Public Sector Deposit Fund administered by CCLA. The type of investment chosen depends on the rates of interest available at the time the investment is made. Please refer to the Council’s Investment Policy in Appendix 1.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

## 6.2. Expenditure – Financial Assumptions:

- Providing for inflation - in order to ensure the future budget reflects future spending commitments, it is essential the Council makes prudent provision for all unavoidable increases in costs that will arise from inflationary pressures. Indeed, inflation has been a significant pressure on some expenditure budgets in recent years, particularly in relation to utilities costs. Current Government forecasts suggest that inflation will average around a target of 2% in the longer-term, although this is by no means certain. A key principle of the Council's medium term financial planning is to make provision only for essential inflationary increases in budgets, i.e. where there is a contractual obligation to pay the increased cost or where the increase cannot be avoided. Budget provision for general expenditure such as equipment, stationery, training, publicity has therefore been frozen at existing levels and the budgets will be expected to absorb any price variations year on year. This approach ensures the Town Council shops around, ensures better use of resources and helps the Council to achieve value for money.
- Annual Pay Awards - a significant proportion of the Council's gross expenditure relates to Officer pay costs and therefore annual Officer pay awards over the medium term are potentially a significant inflationary pressure on the Council's expenditure budget moving forward. The Pay Award for those staff on NJC Terms and Conditions 2018/19 and 2019/20 were restricted to 2% but the Council needs to be mindful that in 2019/20 this will include the abolishment of some paygrades with a new starting point being allocated to several Officers which will have a significant budgetary implications, particularly when considered alongside subsequent pension contributions. The pay award for beyond 2020/21 is as yet unknown. Future increases in the National Living Wage will also have an impact upon the Council's staffing budget. These matters are being overseen by the Personnel Committee.
- Pension Costs - Pension costs in respect of Council Officers are another significant area of expenditure. Employers' contribution rates are unlikely to increase given the Government's intention to reduce the cost to local taxpayers. It has therefore been assumed for the purposes of this plan that the employer's pension contributions will remain unchanged. It is also important to note the requirement of the Council to now auto enrol employees into the Local

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

Government Pension Scheme. The Local Government Pension Scheme (LGPS) is the default scheme for local government staff and for the purposes of this Plan it has been assumed that all eligible staff will be automatically enrolled into the LGPS and that they will remain in the scheme rather than opt out.

- Changes in Staffing Structure - The Town Council's staffing structure remains under review with this work being led by the Personnel Committee.
- Premises Costs – There have been some increases to the Council's premises costs in recent years, although wherever possible the Council has actively worked to minimise these increases, for example, by accessing the best gas and electricity prices and changing alarm maintenance providers to achieve better value.
- Insurance costs – In 2018/19 the Council entered into a new three year insurance agreement.
- Vehicle costs - An annual increase of 7.5% has been assumed for fuel costs to provide for continued volatility in the oil price market, possible increases in fuel duty and the continuing upward trend in prices. A similar increase is assumed for maintenance costs as a result of the condition of the council's vehicle and machinery stock.
- Supplies and services budgets - the majority of supplies and services budgets have been frozen at existing levels with the expectation that any inflationary increases are absorbed. This approach encourages better use of resources and helps the Council to achieve value for money. Examples include equipment, stationery, uniforms, training, publicity etc. An annual increase of 3% per annum has been assumed over the life of the Medium Term Financial Plan for any supplies and services where there is a contractual obligation to pay for the increased cost or where the increase cannot be avoided. Examples include postage and equipment rentals.
- Neighbourhood Plan – A sum of £1000 had been included in the budget for 2019/20 to provide for the costs of the continuing development of The Sedgfield Plan to it becoming a made plan following community referendum. It has been assumed that this budget requirement would reduce each year

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

thereafter as the Neighbourhood Plan is completed. The Council will continue to set aside £500 per annum in a Neighbourhood Plan reserve to cover the anticipated future costs of reviewing this Plan once it is made.

- Members allowances – There are currently no plans to increase Members’ Allowances and it has therefore been assumed that they will be frozen at the existing level over the three year period of this plan. Any significant increase in Members’ Allowances arising from any such review should need to be provided for within the budget or over and above this from efficiency savings or a precept increase. It is understood that CDALC and Durham County Council are undertaking a piece of work to review such allowances. This matter would be overseen by the Finance Working Group.
- Potential Council Elections – The Town Council elections took place in May 2017 but no charge was made by Durham County Council as the election was uncontested. A provision of £6000 will be set aside in each budget year should there be an unexpected election, working on the assumption for this Plan that there is no increase in such costs.
- Outstanding Loans/Borrowings - The total amount of loans outstanding to the Public Works Loans Board at 31<sup>st</sup> March 2018 was £[TO BE INCLUDED] and relates to one loan taken out in 2008 for a total of £93,000 to fund the refurbishment of the Parish Hall. Assuming no rescheduling of this outstanding debt, the balance will reduce over the period of the MTFP as follows:

2018/19	09.07.18	4314.01	09.01.19	4314.01
2019/20	09.07.19	4314.01	09.01.20	4314.01
2020/21	09.07.20	4314.01	09.01.21	4314.01

It has been assumed for the purposes of the Medium Term Financial Plan that there will not be any early repayment or rescheduling of the Town Council’s outstanding loans over the period of this Plan. However, this position will continue to be reviewed on an annual basis when possible options for rescheduling or early repayment of debt will be assessed, taking into account various issues including the premiums that may be payable and the level of Council reserves likely to be available to fund such a repayment.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

## **7. Key Financial Challenges Facing Sedgefield Town Council:**

It is important to understand the financial challenges facing the Town Council in order the Council can achieve its aim of, as far as possible, maintaining existing levels of service and staffing structures and keep future council tax increases as low as possible, over the life of the Medium Term Financial Plan.

- Decreasing LGTRS Grant;
- Upwards inflationary pressure on core costs such as salaries, utilities, fuel etc
- The need to address elements of historic under investment in the physical assets and personnel;
- Creating an organisation that is fit for purpose to meet future economic, social and environmental needs;
- The heavy reliance upon the precept to fund the services it provides and is limited in its ability to raise additional funds, for example, Parish Hall hire fees could be raised but there are now a growing number of alternative venue providers within the Town and this must be considered when reviewing the said fees;
- Minimising future precept increases;
- Funding any new statutory requirements and planned investment in existing services or new initiatives;
- Working within resources available to spend and deciding how the Council's spending will be prioritised;
- Providing for future capital investment commitments;
- Maintaining a prudent level of reserves;
- Developing an Asset Management Plan.

## **8. Key Financial Opportunities Available To The Town Council:**

Whilst the financial situation facing all Town and Parish Councils is currently problematic it is important to acknowledge that there are opportunities which are available for Sedgefield Town Council to potentially maximise from as follows:

- To deliver a robust and sustainable Medium Term Financial Plan that ensures and underpins the Town Council's future;

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

- Address any evidence of historic under-investment through a comprehensive Risk Management process to ensure unplanned events do not detract from the delivery of corporate priorities;
- Deliver a Corporate Plan with a clearly stated set of priorities in terms of projects, services and improvements to ensure the Council's activities are appropriately tailored to local needs;
- Maximise all opportunities for income generation through the use of the council's assets, property or otherwise to maintain and support service delivery;
- Ensure the Town Council's aspirations in every respect are efficient, business focussed, innovative and targeted on ensuring the long term effectiveness of the organisation for the benefits of the residents, current and future of Sedgefield;
- Maximise external funding opportunities in all areas;
- Maximise the benefits of partnership working;
- Review income from chargeable services;
- Maximise service efficiency to keep costs down;
- Maximise letting income for the Parish Hall;
- Comprehensive safeguarding arrangements are in place to protect the Town Council from fraud and corruption (see Appendix 2 Anti-Fraud and Corruption Policy);
- Taking due cogence of the possibility of a cap on the precept.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

## 9. Previous and Predicted Budgets:

The Town Council's ACTUAL income and expenditure budgets for 2016/17 and 2017/18 are detailed below for information:

<b>INCOME: 2016/17</b>	<b>2016/17</b>	<b>INCOME: 2017/18:</b>	<b>2017/18:</b>
Precept	243165.59	Precept	251676.50
LCTRS Grant	12835.00	LCTRS Grant	10744.00
Parish Hall Hire	23703.62	Parish Hall Hire	22033.00
Bank Interest	1188.21	Bank Interest	745.76
Ceddesfeld Hall Rent	3070.00	Ceddesfeld Hall Rent	3060.00
Cemetery Lodge Rent	6381.27	Cemetery Lodge Rent	5869.40
Other Income	238.56	Other Income	1225.50
Village Greens	10.00	Village Greens	20.00
Open Spaces	2079.47	Open Spaces	791.45
Dog Bags	1026.50	Dog Bags	1174.00
Cemetery	7647.00	Cemetery	7830.00
Sponsorship	350.00	Sponsorship	0.00
Allotments	1320.00	Allotments	1260.00
Community Services	318.98	Community Services	211.92
Gazebos	215.00	Gazebos	320.00
Events	9619.07	Events	3432.99

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

Mayor's Charity	10921.85	Mayor's Charity	12467.10
SCA	7682.76	SCA	35.25
Sedgefield 700+	0.00	Sedgefield 700+	0.00
Sedgefield In Bloom	4806.00	Sedgefield In Bloom	3668.50
Sowers & Growers	50.00	Sowers & Growers	200.00
Community Chest (reserve transfer)	500.00	Community Chest (reserve transfer)	0.00
Parish Hall Refurbishment (reserve transfer)	60000.00	Parish Hall Refurbishment (reserve transfer)	0.00
Paths Partnership (reserve transfer)	445.00	Paths Partnership (reserve transfer)	0.00
<b>TOTAL INCOME 2016/17:</b>	<b>397573.88</b>	<b>TOTAL INCOME 2017/18:</b>	<b>326765.37</b>
<b>Less reserves transfer:</b>	<b>352680.87</b>	<b>Less reserves transfer:</b>	<b>326765.37</b>

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

<b>EXPENDITURE 2016/17:</b>	<b>2016/17:</b>	<b>EXPENDITURE 2017/18:</b>	<b>2017/18:</b>
Staffing	169538.06	Staffing	184511.86
General Admin	6947.21	General Admin	6392.76
Charges	17170.83	Charges	17038.69
Loan Repayments	8628.02	Loan Repayments	8628.02
Donations	1575.00	Donations	600.00
Members	2409.27	Members	2532.95
Civic Hospitality	29.00	Civic Hospitality	45.00
Parish Hall	15078.75	Parish Hall	16528.51
Council Offices	9209.75	Council Offices	8964.10
Capital	1144.28	Capital	0.00
Cemetery Lodge	2020.68	Cemetery Lodge	170.00
Contingency	0.00	Contingency	0.00
Open Spaces	21270.20	Open Spaces	15336.14
Cemetery	17828.76	Cemetery	10486.31
Allotments	842.26	Allotments	178.35
Capital	0.00	Capital	2379.23
Dog Bags	659.30	Dog Bags	669.70
Neighbourhood Plan	2399.88	Neighbourhood Plan	0.00

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

Events	10910.77	Events	6387.31
Public Information	1992.65	Public Information	1816.00
Play Areas	1147.36	Play Areas	5752.00
Christmas Lights	763.69	Christmas Lights	2101.17
Mayor's Charity	9660.67	Mayor's Charity	5120.21
Agency Work	7562.76	Agency Work	35.25
Sedgefield In Bloom	3578.24	Sedgefield In Bloom	5671.74
Terrace Hill	10000.00	Terrace Hill	0.00
Sedgefield Plan	(600.00)	Sedgefield Plan	661.58
Community Development	0.00	Community Development	0.00
Ceddesfeld Hall Grounds	335.72	Ceddesfeld Hall Grounds	0.00
Youth	190.10	Youth	1366.39
Parish Hall Refurbishment	10086.69	Parish Hall Refurbishment	39518.44
Paths Partnership	445.00	Paths Partnership	0.00
Sowers & Growers	250.00	Sowers & Growers	0.00
<b>TOTAL EXPENDITURE: 2016/17:</b>	<b>333074.90</b>	<b>TOTAL EXPENDITURE: 2017/18</b>	<b>342891.71</b>

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

The following FORECAST three year budget is based upon the following Council priorities:

2018/19	Development of new area of Butterwick Road Cemetery
2019/20	Continuing development of new area of Butterwick Road Cemetery and review of infrastructure within Town Council Offices
2020/21	Redevelopment and refurbishment of Town Council Offices

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

### Three Year Budget Model

Expenditure	Approved Budget 2019/20 (£)	Assumed Inflator	Estimated Budget 2020/21 (£)	Estimated Budget 2021/22
Staffing	195,000.00	1% per annum	196,950.00	198,919.50
General Admin	9,600.00	3% per annum	9,888.00	10,184.64
Charges	14,600.00	3% per annum (with 5% for insurance in 2018/.19)	15,038.00	15,489.14
Loan Repayments	8,628.02	Fixed schedule	8,628.02	8,628.02
Donations	1,000.00	2% per annum	1,020.00	1,040.00
Members	5,335.53	Fixed rate	5,335.53	5,335.53
Civic Hospitality	300.00	2% per annum	306.00	312.12
Parish Hall	17,500.00	2% per annum	17,850.00	18,207.00

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

Council Offices	12,000.00	2% per annum	12,240.00	12,484.80
Capital	2,500.00	2% per annum	2,550.00	2,601.00
Cemetery Lodge	2,000.00	2% per annum	2,040.00	2,080.80
Contingency	4,000.00	2% per annum	4,080.00	4,161.60
Open Spaces	25,000.00	2% per annum (with 7.5% for fuel)	25,015.00	25,542.05
Cemetery	17,570.00	2% per annum	17,921.40	18,279.83
Allotments	800.00	2% per annum	816.00	832.32
Street Lighting	400.00	2% per annum	408.00	416.16
Ceddesfeld Hall Grounds	1,500.00	2% per annum	1,530.00	1,560.60
Dog Bags	920.00	2% per annum	938.40	957.17
The Sedgefield Plan	1,000.00	Roll forward unallocated money to supplement future year's contributions	-	-

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

Youth	8,000.00	2% annum	per	8,160.00	8,323.20
Events	5,500.00	2% annum	per	5,610.00	5,722.20
Public Information	2,000.00	2% annum	per	2,040.00	2,080.80
Play Areas	1,764.93	2% annum	per	1,800.23	1,836.23
Christmas Lights	500.00	2% annum	per	510.00	520.20
Capital Expenditure	0.00	2% annum	per	0.00	0.00
Parish Hall Refurbishment (remaining reserves transfer)	5,500.00	Roll forward unallocated money to supplement future year's contributions if needed		-	-
<b>TOTAL EXPENDITURE</b>	<b>342,918.48</b>	-		<b>340,674.58</b>	<b>345,515.31</b>
<b>Less Reserves Transfer</b>	<b>342,918.48</b>	-		<b>340,674.58</b>	<b>345,515.31</b>

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

Income	Approved Budget 2019/20 (£)	Assumed Inflator	Estimated Budget 2020/21 (£)	Estimated Budget 2021/22 (£)	Risk Rating
Precept	285,451.48	3%	294,015.02	302,835.47	High
LCTRS Grant	7,352.00	-	-	-	High
Parish Hall Hire	19,000.00	0%	19,000.00	19,000.00	Medium
Bank Interest	350.00	0%	350.00	350.00	Medium
VAT Refund	15,000.00	2%	15,300.00	15,606.00	High
Ceddesfeld Hall Rent <sup>1</sup>	3,070.00	0%	3,070.00	3,070.00	Low
Cemetery Lodge Rent	4,000.00	0%	4,000.00	4,000.00	Medium
Other Income	220.00	1%	222.20	224.44	High
Village Greens/Ground Rent	0.00	0%	0.00	0.00	
Open Spaces	1,500.00	1%	1,515.00	1,530.15	High
Dog Bags	900.00	0%	900.00	900.00	Low
Cemetery	2,000.00	2% per annum	2,040.00	2,080.80	High
Sponsorship	0.00	0%	0.00	0.00	

<sup>1</sup> In accordance with the Ceddesfeld Hall lease a rent review is due 1<sup>st</sup> April 2020.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

Allotments	900.00	2%	918.00	936.36	Low
Community Services	175.00	0%	175.00	175.00	High
Gazebos	0.00	0%	0.00	0.00	
Events	3000.00	0%	3,000.00	3,000.00	High
Parish Hall Refurbishment (Reserves Transfer)	0.00	Roll forward unallocated money to supplement future year's contributions if needed	0.00	0.00	
<b>TOTAL INCOME</b>	<b>342,918.48</b>		<b>344,505.22</b>	<b>353,708.22</b>	
<b>Less Reserves Transfer</b>	<b>342,918.48</b>		<b>344,505.22</b>	<b>353,708.22</b>	
<b>Surplus/Deficit</b>	<b>0</b>		<b>+3,829.77</b>	<b>+8,192.04</b>	

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

## **10. Future Development of the Medium Term Financial Plan:**

The Medium Term Financial Plan will be updated on an annual basis through a process involving:

- Review of Council priorities, based on annual strategic aims and targets set by the Council;
- Reviewing the resources required to fund future service needs, including providing for pay awards, inflation and other unavoidable budget pressures, managing changes in demand, and identifying efficiency savings;
- Taking into account the costs of all new statutory requirements and planned investment in existing services or new initiatives that have already been approved by the Council;
- Projecting the likely available financial resources based on target council tax increases, projected council tax base changes, use of balances and reserves, the availability of external funding and the potential for future capital receipts and borrowing opportunities;
- Assessing the ability of the Council to fund its ongoing service needs, deliver strategic aims and meet community priorities within the limited resources available; and
- Maintaining a continuous focus on efficiency and value for money.

## **11. Conclusion:**

This Medium Term Financial Plan is an outline projection of the Council's income and expenditure position over the next three years. In considering its future budgets, the Town Council should use this Plan to assess the sustainability of new or changed services over the medium term.

It is clear that the Town Council is going to need to make some difficult decisions in the coming years in terms of how to fund the likely cuts in LCTRS funding and the various spending commitments that it faces. These will need to be funded by a combination of increases to the Town Council's precept as well as efficiency savings

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

and budget cuts, with much depending on whether the Council is subject to a cap from the Government in terms of how much it can increase the precept by.

The Town Council faces a challenging future and will need to make some difficult decisions in the coming years in terms of how to offset the likely cuts in funding as well as the various spending pressures and other commitments that it faces. The Medium Term Financial Plan also highlights that the Town Council continues to be in a fortunate position in having reserves available. This is demonstrated by the significant investment delivered in the last few years, notably those efficiency savings used in the refurbishment of the Church Turning Circle and the Fletcher Room in the Parish Hall. It is the intention to continue this approach in 2018/19 and beyond for the expansion of Butterwick Road Cemetery.

The Plan includes an income and expenditure budget forecast and projections of the likely level of Town Council precept over the three year period, and estimates savings that may be required in order to balance the budget in the event of a cut in the level of LCTRS funding.

The MTPF is published for use by all Councillors and Officers to help communicate the Council's overall financial strategy and to improve understanding of the links between the Council's strategic aims and priorities and setting of annual income and expenditure budgets.

Looking beyond the life of this Medium Term Financial Plan, Council balances will continue to deteriorate and it is possible that further borrowing may be required to replenish balances and meet on-going capital investment commitments. However, it is equally possible that capital receipts from land sales may enable the Council to achieve its future capital investment requirements without the need to undertake further borrowing and may also provide the opportunity for early repayment or rescheduling of the Council's remaining outstanding debt.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

**APPENDIX 1 – INVESTMENT POLICY:**

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

## **INVESTMENT POLICY:**

### **Introduction:**

The Investment of surplus funds by local authorities is governed by the Local Government Act 2003, Section 15(1)(a) and Guidance issued by the Secretary of State under that Act.

Investments below £10,000 are not subject to the Guidance but for investments between £10,000 and £500,000 the council is required to make a formal decision on the extent to which it would be reasonable to adopt the Guidance either in part or in full.

The Guidance recommends that a council produces an Annual Investment Strategy which sets out its policy for managing the investments and giving priority to the liquidity and security.

A 'Specified Investment' is one which is made in sterling, is not long term (less than 12 months) not defined as capital expenditure and is placed with a body which has a high credit rating or made with the UK Government, a UK local authority or a parish or community council. Any other types of investment is considered 'Non Specified Investment' to which there can be greater risk and where professional investment advice might be required.

### **Policy:**

It is the policy of Sedgefield Town Council that it will adopt the Secretary of State's Guidance in relation to council investments in full (Department for Communities & Local Government "Guidance on Local Government Investments" 2<sup>nd</sup> Edition dated 11<sup>th</sup> March 2010). In implementing the Secretary of State's Guidance the Town Council the Town Council acknowledges the importance of prudently investing in temporary surplus funds held on behalf of the community with the aim of achieving the optimum return on its investments commensurate with proper levels of security and liquidity. The Council's priorities are centred on the security (protecting the capital sum from loss) and then liquidity (keeping the money readily available for expenditure when needed) of its reserves.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

### **Aim and Objectives:**

Sedgefield Town Council's aim is to achieve a high rate of return on investments commensurate with adequate safeguards of security and liquidity. The Council's priorities are, in the following ranking order:

- i) The security of capital to minimise the risk of losses
- ii) The liquidity of investments to meet the cash flow needs of the Council
- iii) Maximising the return on investments within the framework of the national economic situation

### **Reserves:**

The Town Council will maintain reserves for the following reasons:

1. A sum approximately equal to at least 50% of the net revenue expenditure will be maintained as the General (non-earmarked) Reserve in accordance with good practice and intended for unforeseen emergencies.
2. Specific project reserves will be built up to meet needs identified in any Medium Term Financial Plan.
3. Other reserves earmarked for specific purposes, future development, or to meet commitments, will be maintained as considered necessary and recommended by the Policy & Resources Committee.

### **Investments:**

All the Town Council's investments will be Specified Investments which are those offering high security and high liquidity. This means that:

1. All investments will be made in sterling and any payments or repayments will also be made in sterling.
2. All investments and deposits will be with UK registered Banks or Building Societies.
3. Investments for current expenditure will be on instance access deposit accounts with a daily feeder to the current account.
4. Investments not required for current expenditure, i.e. the General Reserve, may be placed on longer-term deposits of up to 2 years.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

5. Investments not required for current expenditure, i.e. Earmarked Reserves may be placed on medium term deposits not exceeding 1 year.
6. Long term investments will be limited to a maximum of £100,000 and will be reviewed annually.
7. All investments will be made with a body or investment scheme which has been awarded a high credit rating by a credit rating agency<sup>2</sup>. (A high credit rating will be defined as 'A' 'High Credit Quality'). Credit Ratings will be monitored at quarterly intervals. If the credit rating falls during that period, the Town Clerk, in consultation with the Finance Working Group, will make a recommendation to the P&R Committee as to the appropriate action.

**(The Department of) Communities and Local Government maintain that borrowing of monies purely to invest, or to lend and make a return is unlawful and the Town Council will not engage in such activity.**

**Banking:**

The Town Council will periodically review its banking arrangements based upon the criteria of returns, high street presence, accessibility of funds, service level and bank charges.

**Borrowings:**

Provision will be made in the revenue budget each year so as to ensure any borrowings are repaid within the planned time period.

**Policy Review and Amendment:**

The Finance Working Group will review this Policy annually in conjunction with the Internal Auditor and, if necessary, take amendment recommendations to Policy & Resources Committee for approval.

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<sup>2</sup> A credit rating agency is defined in the guidance as one of the following three companies: Standard and Poor's; Moody's Investors Service Ltd; Fitch Ratings Ltd.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

**APPENDIX 2 – ANTI-FRAUD AND CORRUPTION POLICY:**

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

## **ANTI FRAUD AND CORRUPTION POLICY**

### **Introduction:**

Sedgefield Town Council is governed and served by dedicated and hard working Councillors and Officers who consistently demonstrate high levels of integrity and honesty. However, the Town Council is aware there remains a risk of fraud and corruption, and recognises its key responsibility to properly look after and account for public money. As such it is important the Council has in place an effective Anti-Fraud and Corruption Policy to protect itself from the risk of fraud and corruption both from within and outside the organisation. This Policy advocates a zero tolerance approach and has been designed in a way that encourages the prevention and deterrence of fraud in the first place, whilst also promoting detection where fraud does occur. Its aim is to make it absolutely clear that the Council will not tolerate fraud.

This Anti-Fraud and Corruption Policy sets out in detail the Council's framework for the prevention and detection of fraud and corruption, and the procedures for the reporting and investigation of any occurrences of fraud and corruption.

All Councillors and Officers, including temporary staff, must comply with the requirements of the Anti-Fraud and Corruption Policy. In conjunction with this policy, the Council also requires all Councillors to conduct themselves in accordance with the Council's Code of Conduct and Officers with the content of the Council's Staff Handbook. The work of all Councillors and Officers of the Council is also governed by all relevant legal and statutory requirements, as well as the Council's approved Financial Regulations and Standing Orders, and all other relevant policies of the Council.

Responsibility for the implementation and monitoring of this Policy lies with the Town Clerk, assisted by the Internal Auditor, who will also ensure the Policy is properly followed, regularly reviewed and updated where relevant.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

Individuals and organisations external to the Council such as service users, residents, consultants, suppliers, contractors and service providers, will also be expected to act with integrity in their dealings with the Council and without thought of actions involving fraud and corruption.

This Anti-Fraud and Corruption Policy is broken down into the following key sections:

- Definitions of fraud and corruption
- Anti-fraud Policy statement
- Prevention of fraud and corruption
- Deterrence of fraud
- Detection of fraud
- Reporting of fraud
- Investigation of fraud
- Prosecution
- Recovery of losses
- Awareness and training

### **Definitions of Fraud and Corruption:**

The Fraud Act 2006 describes fraud as the intention to make gain or cause loss under three main headings:

- Fraud by false representation
- Fraud by failing to disclose information and
- Fraud by abuse of position

There are further sub-headings of fraud described including possession of articles for use in fraud, making or supplying articles for use in frauds, participating in fraudulent business and obtaining services dishonestly.

Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly or the deliberate failure to disclose an interest in order to obtain a financial or other pecuniary gain for oneself or another.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

The Bribery Act 2010 defined bribery as “giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward a person for having already done so, in order to gain personal, commercial, regulatory or contractual advantage”. Bribery is the most common form of corruption.

The following list provides some common examples of what constitutes fraud and corruption, although the list is not exhaustive:

- Theft of Council property
- Unauthorised use of public funds
- Intentional distortion of financial or other records
- Forgery or deliberate alteration of any document eg cheque
- Destruction or removal of records
- Falsifying of expense claims
- Blackmail, conspiracy, concealment of material facts, collusion or disclosing confidential information to outside parties without authority for personal gain
- Computer misuse
- Misuse of intellectual property
- Conduct which is an offence or a breach of law
- Disclosures related to miscarriages of justice
- Health and safety risks, including risk to the public
- Damage to the environment
- Other unethical conduct

**Anti-Fraud and Corruption Policy Statement:**

Sedgefield Town Council has adopted the following Anti-Fraud and Corruption Policy Statement:

*“It is the policy of the Council to promote a culture of honesty, openness and fairness, which is committed to the prevention and detection of fraud and corruption; to ensure that all instances of fraud and corruption are investigated properly and thoroughly; and to actively pursue the appropriate level of disciplinary action”.*

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

This policy should be read in conjunction with the Council's approved Financial Regulations, which set out the overall framework for the proper management of the Council's financial affairs.

Councillors and Officers are encouraged to take responsibility for the prevention and detection of fraud and corruption and the proper use of public money and are positively encouraged to raise any concerns regarding fraud and corruption in the knowledge that such concerns will be treated seriously and in strict confidence.

Those who defraud the Council, who are proven to be corrupt, or who instigate financial malpractice can expect to be dealt with swiftly and firmly and with the appropriate level of disciplinary action.

Where fraud and corruption have occurred due to a breakdown in an element of this culture, internal audit arrangements are in place, to ensure that the appropriate improvements in policies, procedures or systems of internal control are implemented in order to prevent a reoccurrence, and ensure a lasting change in culture.

The aim of this Anti-Fraud and Corruption Policy is to protect the Council against the risk of fraud and corruption either from within or outside the organisation and achieve the following objectives:

- Promote a culture of honesty and integrity, and a zero tolerance approach to fraud and corruption
- Encourage prevention and deterrence of fraud and corruption by ensuring openness, transparency and honesty in the provision of all services and the undertaking of Council business both internally and externally
- Ensure effective systems of internal control including segregation of duties, financial procedures and sound management controls are in place to help to prevent fraud
- Promote detection of fraud by ensuring compliance with internal control systems and financial procedures supported by regular monitoring and review by internal audit
- Ensure formal reporting systems are in place and are being used to support and give confidence to members, employees, members of the public or third

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

parties who may wish to raise any concerns they have, associated with the Town Council's activity

- Investigate thoroughly and effectively any allegation of fraud and corruption received
- Identify a clear procedure for investigation that is understood and that will respond sensitively and efficiently to any concerns raised and
- Set out the policy and procedure for the recovery of any losses associated with fraud.

### **Prevention of Fraud and Corruption:**

Whilst absolute guarantees that fraud and corruption can or will be prevented cannot be given, there are ranges of measures and internal controls in place already, which are designed to minimise this risk. These can be broadly categorised into the following:

- Officer obligations
- Councillor obligations
- Financial policies, internal control systems and internal audit
- Working with partners

#### 1. Officer Obligations:

The Council recognises that its Officers are often the first line of defence in preventing fraud.

The Council is entitled to expect, and is obliged to maintain, high standards of conduct among its Officers to ensure that public confidence in their integrity, honesty and impartiality is not undermined.

The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record and integrity of all potential officers, including temporary staff.

The Council will ensure that formal recruitment procedures are followed, and will obtain written references in respect of all potential Officers, ideally before employment offers are made.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

Some posts, due to the nature of the work and the potential of working with vulnerable people will also require a Disclosure and Barring Service (DBS) check to be undertaken.

Job descriptions and person specifications will also be put in place for all Officers that clearly define duties, responsibilities and lines of communication.

The Council will also ensure that formal contracts of employment have been issued to all staff, setting out starting date, working hours, remuneration, probationary periods, holidays, sickness rules, notice periods, pension information and reference to key employment policies.

All Officers will also be required to work in accordance with the requirements of this Policy, as well as the Council's Financial Regulations and Standing Orders and all other relevant policies of the Council.

The Council will ensure that all Officers are aware of their responsibilities in relation to the prevention and deterrence of fraud and corruption and copies of this policy will be made available to all existing Officers and will also be distributed to all new Officers during the induction process.

The induction process, staff meetings and the training and development programme will be used to remind Officers of their obligations and keep them up to date with any changes.

Employees must comply with Section 117 of the Local Government Act 1972, regarding the disclosure of the financial interests in contracts relating to the Council, or the acceptance of any fees, gifts, hospitality or any other rewards, other than proper remuneration (please refer to the Council's Anti-Bribery Policy in the Staff Handbook). The Bribery Act 2010 makes it an offence to request, agree to receive, or accept a bribe. It is also an offence to offer, promise or give a bribe. Non-compliance by an officer may result in disciplinary action being taken.

The Council recognises that the responsiveness of Officers is important to the prevention of fraud, and officers should therefore be alert to the possibility of fraud and report any concerns. The Council has a Confidential Reporting Policy (please refer to the Staff Handbook) in place to assist Officers in reporting their concerns about fraud or any other issues, without fear of harassment or victimisation.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

The Council has in place a Disciplinary Policy for all Council Officers. Those found to have breached the Council's rules and regulations will be dealt with in accordance with this Policy. Where criminal activity is suspected or found, the matter will be referred to the police for investigation and possible prosecution, in accordance with the Fraud and Corruption Reporting and Investigation Procedure contained in this Policy.

2. Councillors Obligations:

All Councillors are expected to operate honestly and without bias and their conduct will be governed by the Council's Code of Conduct, Standing Orders and Financial Regulations.

These matters and any other appropriate requirements will be brought to the attention of Councillors during the induction process, and supplemented by the training where necessary. This will include information and training on Council policies, expected levels of conduct, member and officer relations, declarations of interests, hospitality disclosures, and eligibility to allowances.

The Local Government Act 2000 required all members to give written undertaking to comply with the Code of Conduct if they are to remain on the Council.

The Council's Committee structure includes a Policy & Resources Committee where issues such as policies and procedures, financial issues, performance management and service delivery issues will be regularly considered.

The Council also has a Finance Working Group which considers reports from the Council's Internal Auditor on the Council's system of internal control, and which would consider any reported issues of fraud in conjunction with the Policy & Resources Committee.

Councillors will be specifically required to record their financial and other interests and record any receipt of offering of gifts or hospitality in accordance with the requirements set out in the Council's Code of Conduct and Anti-Bribery Policy.

Councillors must also disclose any such interests in the matters under discussion at any meeting or Committee of the Council.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

3. Financial Policies, Internal Control Systems and Internal Audit:

The Town Clerk has a statutory responsibility under Section 151 of the Local Government Act 1972, to ensure proper arrangements are made for the management of the Council's financial affairs. In addition, under the Accounts and Audit (England) Regulations 2011, the Council is required to maintain an adequate and effective system of internal control and internal audit.

The Council's Financial Regulations provide the framework for the management of the Council's financial affairs and officers and Cllrs should act in accordance with the Financial Regulations at all times in managing and governing the Council.

Significant emphasis is also placed on the development, implementation of various financial policies, systems and procedures in support of the overall Financial Regulations and these are regularly reviewed to ensure they are up to date.

Taken together these financial policies help to ensure a high level of financial integrity across all of the Council's services and activities.

The Town Clerk, supported by the Financial Assistant/Receptionist and Internal Auditor, is charged with the responsibility of ensuring that proper internal controls are in place within each service area and for reviewing regularly the effectiveness and appropriateness of such controls especially in relation to the deterrence and detection of fraud and the monitoring and control of high risk areas.

The adequacy and appropriateness of the Council's financial systems and controls are independently monitored and reviewed by both internal and external audit.

In order to ensure the effective use of the Council's internal audit resources, the Council's Policy & Resources Committee has agreed to a three year programme of planned activity.

4. Working With Partners:

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

The Council expects all individuals and organisations to act honestly in their dealings with it and may undertake relevant financial checks in support of this aim.

The Council works with a variety of organisations and these partnerships provide an essential element in preventing fraud and corruption through exchange of information, advice, training etc.

The Council will continue to liaise with numerous organisations including, but not restricted to its External Auditor (BDO LLP), the County Durham Association of Local Councils (CDALC), the National Association of Local Councils (NALC), the Society of Local Council Clerks (SLCC), Durham County Council, other Town and Parish Councils, relevant central Government Departments plus suppliers, contractors and service providers.

### **Deterrence of Fraud and Corruption:**

There are a number of ways in which the Council can deter the potential of fraudulent or corrupt acts being committed or attempted, whether they are inside or outside the Town Council. These include:

- Promoting the message that the Town Council will not tolerate fraud, corruption or bribery;
- Acting quickly, efficiently and decisively when fraud, corruption or bribery is suspected and proven;
- Taking action to recoup the maximum recoveries (including losses and costs) for the Council;
- Having in place sound internal control systems that minimise the potential risk for fraud, corruption and bribery;
- Regular and effective internal and external audit;
- The Council's Confidential Reporting Policy.

It is the responsibility of the Town Clerk to communicate the existence of the Anti-Fraud and Corruption Policy to all employees, to promote greater awareness of the risk of fraud within their service areas, and to encourage any member of staff with a concern, to report the matter immediately.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

The Council's systems of governance and financial management, as set out in the Standing Orders and Financial Regulations, as well as the various supporting policies and procedures and the system of internal control, all help to ensure that appropriate controls, reconciliations, and internal audit checks are in place to detect any indications of any actual fraudulent or corrupt activity. It is the responsibility of all Officers to maintain good control systems and procedures, and to ensure that everyone complies with the instructions contained within them. This should be supported by a system of supervision and management that ensures monitoring and control of staff and helps to identify any unplanned, unexpected or potentially fraudulent or corrupt activity. The system of internal control and the work of the Internal Auditor are a crucial part of the Council's fraud detection system. Within the scope of their work, the Internal Auditor will endeavour to reveal serious defects in the internal controls which may lead to the perpetration of fraud, be alert to the possibility of malpractice, take nothing for granted, and be aware of the possibility of collusion. Therefore, when actual fraudulent or corrupt activity does occur, the systems of internal control and the work of the Internal Auditor should, in the vast majority of cases, assist in revealing the occurrences.

The alertness of Councillors, Officers and members of the public are also essential in the detection of any possible fraudulent activities, and it is often this alertness that enables detection to occur or provides evidence that fraud or corruption may be in progress. As such, sometimes, despite the best efforts of managers and auditors, frauds are sometimes discovered by a chance remark or 'tip off'.

The Council has put in place a formal Fraud Corruption Reporting and Investigation Procedure as part of this Policy to enable such information to be reported and properly dealt with. Appendix A provides further details of this procedure.

In addition, the Council's Confidential Reporting Policy plus Council Compliments, Comments and Complaints Policy also encourages Cllrs, Officers and members of the public to raise any suspicions and concerns as and when they occur, and ensures that any concerns are dealt with confidentially, properly and promptly.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

### **Reporting of Fraud and Corruption:**

Councillors and Officers are an essential element in the Council's approach to preventing and detecting fraud and corruption, and are positively encouraged to raise any suspicions and concerns as and when they occur.

This Policy requires the Council to ensure that any concerns that are reported are treated in strict confidence and properly investigated.

The Town Clerk will usually be the first contact for an employee to raise a concern, but if further investigation is deemed necessary, other staff may need to become involved to support as well as the Internal Auditor and External Auditor.

The Town Clerk will be responsible for following up any allegation of fraud or corruption received and will do so through a clearly defined fraud investigation procedure. However, there is a need to ensure that any investigation process is fair and is not misused and, therefore, any abuse of this procedure, such as raising unfounded malicious or vexatious allegations, may be dealt with as a disciplinary matter. The Anti-Fraud and Corruption Policy should be read alongside the Council's Confidential Reporting Policy which formally sets out the procedures relating to the reporting of such concerns, reassures individuals that they will not suffer repercussions, and encourages those with legitimate concerns to voice them.

### **Investigation of Fraud and Corruption:**

Depending on the nature and the anticipated extent of the allegations, the Town Clerk, Financial Assistant/Receptionist and Internal Auditor will normally work closely with Officers and other agencies, such as the Police, to ensure that all the allegations are properly investigated, reported and where appropriate, prosecution is secured and maximum recoveries are achieved.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

The investigation of any allegation of fraud and corruption will be in accordance with the Fraud Corruption Reporting and Investigation Procedure (in Appendix A) which will ensure that:

- Concerns are dealt with promptly and consistently
- All evidence is recorded and the rules of evidence followed
- Evidence is sound and adequately supported
- All evidence is securely held
- Where appropriate that the Council's insurers and the police are informed
- That the Council's disciplinary policy is implemented where necessary

### **Prosecution:**

Where financial impropriety is discovered, referral to the police is a matter for the Town Clerk in consultation with the Internal Auditor and Chair of the Policy & Resources Committee plus Council Chair.

In deciding whether to recommend referral to the police the following factors will be taken into account:

- The amount of loss and duration of the offence;
- The suspect's physical and mental condition;
- Whether there has been a voluntary disclosure and arrangement made for reimbursement;
- How strong the evidence is.

The Town Council's Disciplinary Policy will be used as appropriate, irrespective of whether there is police involvement or not.

### **Recovery of Losses:**

The Council will seek to recover all losses incurred as a result of fraud and corruption from the individual(s) involved.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

The Council's insurance policy does include employee dishonesty cover which provides cover against instances of fraud and corruption up to a value of £500,000 for all Councillors and Officers of the Council. However, claims under the Council's insurance arrangements in fraud and corruption cases should be regarded as a last resort, and will only be instigated once all other appropriate avenues of recovery have been explored and exhausted. Potential claims under the insurance policy should still be notified to the Council's insurers as soon as possible following any loss. Full details of the case should also be provided together with an indication of what recovery action is being attempted, and the likelihood of success.

### **Awareness and Training:**

It is recognised that the success and credibility of the Anti-Fraud and Corruption Policy is dependent on how effectively it is communicated throughout the Council.

The Policy will be reported to the P&R Committee for approval every time it is updated, and will be published on the Council's website for the public and other stakeholders to view.

The Policy will also be made available to all Officers and will also be incorporated into the Induction Pack for new members of staff.

The success and credibility of the policy will also be reliant upon the effectiveness of the Council's learning and development programmes in ensuring that all staff are appropriately trained to undertake their jobs effectively, understand their responsibilities and duties, and properly follow Council policies and procedures. This is particularly important for Officers involved in internal control systems and the Internal Auditor.

### **Review of this Policy:**

It is considered that this Policy is relevant to the current requirements of the Council in relation to the prevention and detection of fraud and corruption and that the Council has in place a clear network of systems, internal controls and procedures in place to

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

assist it in the prevention and detection of fraud and corruption. The Town Clerk, in conjunction with the Council's Finance Working Group, will undertake an annual review of this Policy and any amendments will be reported to the Council's Policy & Resources Committee.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

## APPENDIX A – FRAUD AND CORRUPTION REPORTING INVESTIGATION PROCEDURE

This procedure sets out the process for reporting any suspicions of fraud and corruption and also explains how the Council will then respond and investigate. This should be read in conjunction with the Council’s Confidential Reporting Policy which sets out the process for confidentially reporting any other serious concerns about the Council without fear of harassment or victimisation. The Confidential Reporting Policy covers concerns such as breaches of law, health and safety concerns, poor standards of service, breaches of Council policies, improper conduct, and physical or mental abuse, and is relevant in many ways to the reporting of concerns relating to fraud and corruption covered by this policy.

### Actions Constituting Fraud and Corruption:

To help you determine whether your concern of suspicion may involve fraud or corruption, the following list provides some common examples of what constitutes fraud and corruption:

- Theft of council property
- Unauthorised use of council and public money
- Intentional distortion of financial or other records
- Forgery or deliberate alteration of any document eg a cheque
- Destruction or removal of records
- Falsifying of expense claims
- Blackmail, conspiracy or collusion
- Concealment of material facts
- Disclosing confidential information to outside parties, without authority, for personal gain
- Computer misuse for personal gain
- Conduct which is an offence or a breach of the law
- Disclosures related to miscarriages of justice and
- Other unethical conduct

However, fraud and corruption can constitute many types of unacceptable behaviour and the above list is not exhaustive. Therefore, if in doubt, please do not hesitate to

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

raise your concern or suspicion using this procedure or the Confidential Reporting Policy.

#### Reporting Suspected Fraud:

Suspected fraud can be discovered in many ways but in all cases it is important that Councillors, Officers and public feel able to confidentially report their concerns and are also aware of the means by which they are able to do so.

If a member of staff discovered a suspected fraud, then it must be reported, as a matter of urgency, either in person or in writing, to your Line Manager. However, if for whatever reason, you do not feel able to report the matter to your own Line Manager then you may report your suspicion, in confidence, to any other Manager.

If a Councillor or member of the public discovers a suspected fraud, then it must be reported, as a matter of urgency, either in person or in writing, directly to the Town Clerk or Internal Auditor. If the suspected fraud relates to the Town Clerk then this matter must be reported, as a matter of urgency, either in person or in writing, directly to the Town Council's Chair.

It is crucial that the notifying person does not feel threatened in any way in notifying the suspected fraud. As far as possible the Council undertakes to protect the identity of such persons and not to release the source of notification at any time during the subsequent investigation. At the appropriate time, however, you may need to come forward as a witness. Please refer to the Confidential Reporting Policy for further details.

#### Investigation Process:

Once fraud is suspected, it is crucial that any investigation is conducted in a professional and prompt manner aimed at ensuring that the current and future interests of both the Council and the suspected individual(s) are protected. The latter is equally important as a suspicion should not be seen as guilty until proved.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

The Council's Internal Auditor is responsible for reviewing and reporting on the adequacy of the Council's internal systems, controls and procedures. As part of this responsibility, the Internal Auditor is also therefore the usual means of assisting in the investigation of cases of suspected fraud.

For each notified suspicion, the Town Clerk, Financial Assistant/Receptionist, Internal Auditor and Chair of the P&R Committee will co-ordinate the investigation taking on the role of the Council's Fraud Investigation Group. This Group will seek, if required, specialist Human Resources advice to determine whether there is a need for any Officer to be suspended. Any such decision should be kept under review at all stages of the investigation. The Group will then identify an Action Plan for the management of the investigation, i.e. what needs to be done, by whom, the timetable, the reporting process and the need to ensure that strict confidentiality is maintained at all times.

The Internal Auditor will usually carry out any further investigative work and evidence gathering on a day to day basis. The Internal Auditor will open a file to record chronologically:

- Telephone conversations
- Face to face discussions and interviews
- Evidence received and reviewed
- Record documents reviewed
- Undertake tests and results of those tests
- Stipulate conclusions of the investigation

This file will be indexed and all details will be recorded no matter how insignificant they initially appear.

The Internal Auditor will also ensure that all interviews are conducted in the right manner and in particular that the requirements of the Police and Criminal Evidence Act are complied with when undertaking any interviews with suspects.

Liaison with External Audit and Police:

Page 51 of 53

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

#### External Audit:

The Council's external auditors have a responsibility, by law, to review, in accordance with the Code of Audit Practice for Local Authorities in England and Wales, the arrangements made by the Council to prevent and detect fraud. The external auditors may also review the adequacy of measures taken by the Council to limit the possibility of corrupt practices. All local authorities have a duty to report all suspected frauds to its external auditors. This notification will be made by the Town Clerk or Internal Auditor at the earliest opportunity.

#### Police:

The Police are the real experts at investigating fraud and they will also advise on the likely outcome of any intended prosecution.

Initial contact with the Police should only be undertaken following consultation between the Town Clerk and the Chair of the P&R Committee.

If the Police decide a formal investigation is necessary, all employees should co-operate fully with any subsequent requests or recommendations. All contact with the Police following their initial involvement will usually be via the Town Clerk.

Where the police decide to formally investigate this will not prejudice any internal disciplinary procedures and these should continue as normal. However, the internal investigation and that of the Police will be co-ordinated to make maximum use of resources and information.

#### Formal Reporting of Fraud Investigations:

At the end of the investigation, a report should be produced which will set out the findings of the investigation, conclusions drawn from those findings, and will be the definitive document on which management (in a disciplinary situation) and possibly the Police (in a criminal situation) will base their initial decisions.

The format of the final report will not always be the same as each case is unique, but will frequently set out the following information:

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19

- How the investigation arose;
- Who the suspect(s) is/are;
- The suspect's position in the Council;
- How the investigation was undertaken;
- The facts and evidence that were identified;
- Summary of findings and recommendations;
- Additional work required on system or internal control weaknesses identified during the investigation.

All reports must be sustained by the strongest evidence and avoid contents that could be considered to be defamatory in the event of the report being made public.

The Council will give staff as much feedback and information about the final outcome of the investigation as it properly can. Please note, however, that it may not be able to give details about the precise action taken where this would infringe a duty of confidence owed by it to someone else, or where the case is subject to any legal constraints.

Version:	Reviewed:	Adopted:	Officer Responsible:	Next Review Date:
3.0	12.12.18	14.01.19	Jane Ayre, Town Clerk	1.11.19