



Please ask for Rachel Appleyard
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The Chair and Members of Standards
and Audit Committee

21 September 2021

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on WEDNESDAY, 29 SEPTEMBER 2021 at 2.00 pm in Committee Room 1, Town Hall, Rose Hill, Chesterfield, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

1. Declarations of Members' and Officers' Interests relating to Items on the Agenda
2. Apologies for Absence
3. Minutes (Pages 3 - 8)
4. Internal Audit Progress Update (Pages 9 - 16)
5. Review of the Internal Audit Charter (Pages 17 - 28)
6. Treasury Management Annual Report 2020/21 and Monitoring Report 2021/22 (Pages 29 - 44)
7. Local Government and Social Care Ombudsman Annual Review Letter 2021 (Pages 45 - 54)

8. Standards and Audit Committee Work Programme 2021/22 (Pages 55 - 58)

Yours sincerely,

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

Local Government and Regulatory Law Manager and Monitoring Officer

STANDARDS AND AUDIT COMMITTEE**Wednesday, 28th July, 2021**

Present:-

Councillor Rayner (Chair)

Councillors Kellman
T MurphyCouncillors Snowdon
Cawthorne

*Matters dealt with under the Delegation Scheme

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

No declarations of interest were received.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Brady and Caulfield.

3 MINUTES**RESOLVED –**

That the Minutes of the meeting of the Standards and Audit Committee held on 21 April, 2021 be approved as a true record and be signed by the Chair.

4 PROCUREMENT UPDATE

The Service Director – Digital, HR and Customer Services presented a report updating the committee on the progress that had been made to address the recommendations made by internal audit to strengthen the governance arrangements and performance of the procurement service.

The report outlined the progress made against each of the internal audit recommendations which included a contractual review of the service resulting in the team being brought in house and new posts established

along with the introduction of a new procurement strategy and dedicated ICT system for logging all procurement activity across the Council.

The Service Director explained that the outstanding recommendations were being progressed with work continuing with the finance team to pull together all the existing contracts to ensure contracts were in place where required and were added to the procurement plan.

The committee acknowledged and thanked all the staff involved for the work which had gone into addressing the internal audit concerns.

***RESOLVED –**

That the report be noted.

5 STANDARDS AND AUDIT COMMITTEE ANNUAL REPORT

The Chair of the Standards and Audit Committee and the Internal Audit Consortium Manager submitted the Annual Report of the Standards and Audit Committee, attached at Appendix 1 to the officer's report, which summarised the work carried out by the committee during the financial year 2020/21.

It was noted that the Annual Report would be considered for approval by Full Council on 13 October, 2021.

***RESOLVED –**

That the Annual Report of the Standards and Audit Committee for 2020/21 be noted and referred to Full Council for approval.

6 INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2020/21

The Internal Audit Consortium Manager presented the Internal Audit Consortium Annual Report in respect of Chesterfield Borough Council for 2020/21.

The report provided a summary of the internal audit work undertaken during the year and included reference to the impact of Covid-19 on the timeliness of the completion of the 2020/21 internal audit plan.

Members were informed that 20 reports had been issued during the year, details of which were included at Appendix 1 of the officer's report, and a summary of the overall assurance levels for these reports was shown at paragraph 4.3 of the officer's report.

The report included the Internal Audit Consortium Manager's opinion that reasonable assurance could be provided on the overall adequacy and effectiveness of the Council's framework for governance, risk management and control for the year ended 2020/21. Paragraphs 4.16 and 4.17 of the officer's report provided details of the issues included in the Annual Governance Statement and Action Plan.

The report also included details of compliance with the Public Sector Internal Audit Standards, other quality control procedures and performance against the current Internal Audit Charter.

***RESOLVED –**

That the report be noted.

7 INTERNAL AUDIT CONSORTIUM PROGRESS REPORT

The Internal Audit Consortium Manager presented a report summarising the internal audit reports issued during the period April to July 2021, in respect of reports issued relating to the 2020/21 internal audit plan.

It was noted that 5 reports had been issued during this period with the following levels of assurance:

- 'Substantial Assurance' – 2
- 'Reasonable Assurance' – 3

A summary of these reports was attached at Appendix 1 to the report. The committee was informed that no fraud had been discovered.

The report also detailed the audits that had been completed during the 2020/21 internal audit plan and those that had been deferred. Where audits had not been completed, they were considered for inclusion in the 2021/22 internal audit plan following a risk assessment exercise and consultation with the Corporate Leadership Team.

***RESOLVED –**

That the report be noted.

8 IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

The Internal Audit Consortium Manager submitted a report summarising the internal audit recommendations that were made, implemented or outstanding which were detailed in Appendix 1 of the officer's report.

The implementation of audit recommendations was monitored regularly by the Corporate Leadership Team who had committed to being pro-active in ensuring that recommendations were implemented as agreed where possible.

Members queried the delay in implementing the outstanding recommendation relating to the donations box at the Museum. The Internal Audit Manager agreed to follow up the query and provide an update to the committee.

***RESOLVED –**

1. That the report be noted and that it be acknowledged that the implementation of some recommendations had been delayed due to the impact of Covid-19.
2. That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in February, 2022.

9 EXTERNAL REVIEW OF INTERNAL AUDIT

The Internal Audit Consortium Manager advised the committee of the results of the external review of internal audit that had taken place in May 2021. An external assessment of internal audit is a requirement of the Public Sector Internal Audit Standards (PSIAS) which were introduced in 2013. The assessments must take place every five years and the last external review took place in 2016.

The assessor who undertook the review was CIPFA qualified with over 40 years internal audit experience. The assessment took place throughout May 2021 and was conducted remotely due to Covid-19. The Consortium's documentation, working practices, committee reports and

working paper files were reviewed and the audit committee chairs and senior managers were invited to complete a questionnaire.

The report, attached at Appendix 1 of the officer's report, concluded that the Internal Audit Consortium were delivering internal audit services to a standard that generally conforms with the PSIAS and there were no areas that did not comply with the standards. The review report benchmarked against other provision in both the sector and the wider industry and showed that that team compared favourably in comparison with its peers and other sectors. The report also made a number of recommendations aimed at highlighting where further development could be made to enhance the value of the service being provided.

The next step was to produce an action plan to address the recommendations arising from the report; progress against the action plan could then be included as part of the 2021/22 annual report.

***RESOLVED –**

That the report be noted.

10 **REVIEW OF THE ANTI-FRAUD, BRIBERY AND CORRUPTION STRATEGY (INCLUDING MONEY LAUNDERING)**

The Internal Audit Consortium Manager presented the draft updated Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy) for consideration by the Committee.

The report explained that it was good practice for public bodies to have in place an up-to-date Anti-Fraud and Corruption Strategy as it supported the Council's effective financial governance and arrangements in respect of fraud.

The Strategy was last reviewed in 2018 and it was agreed to undertake regular reviews to ensure the Strategy was kept up-to-date and remained relevant. The strategy had been updated to reflect developing good practices and the changes were highlighted in the draft Strategy attached at Appendix 1 of the officer's report.

***RESOLVED –**

1. That the Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy), attached at Appendix 1 of the officer's report, be approved.
2. That the amended policy be advertised on the intranet to raise awareness amongst members and officers.
3. That a further review of the policy be undertaken after a period of 2 years.

11 **UPDATES TO THE CONSTITUTION**

The Monitoring Officer presented a report seeking approval to make changes to the Constitution. The report advised that the Constitution, a key document which sets out the principal powers, duties and procedures of the Council, required updating from time to time to reflect current legislation, practices, functions, structures and efficient working of the authority. Full Council considers the main changes to the Constitution and other changes are delegated to the Standards and Audit Committee.

The changes were outlined in Appendix 1 to the officer's report and related to the property and estates functions located in Part 3 – Delegation Scheme and the contract procedure rules found in Part 4 – Rules of Procedure.

The committee requested that the Monitoring Officer consult with the procurement team before making certain of the proposed changes to the contract procedure rules and that the response of the procurement team be communicated to members of the committee.

***RESOLVED –**

That the changes to the Constitution, as detailed in Appendix 1 of the officer's report, be approved subject to consultation with the procurement team.

For publication

Internal Audit Progress Update

Meeting:	Standards and Audit Committee
Date:	29 th September 2021
Cabinet portfolio:	Governance
Directorate:	Finance
For publication	

1.0 Purpose of the report

- 1.1 To present for members' information a summary of Internal Audit Reports issued to date and the progress made in respect of the 2021/22 internal audit plan.

2.0 Recommendations

- 2.1 That the report be noted.

3.0 Reason for recommendations

- 3.1 To update Members on progress against the 2021/22 Internal Audit Plan and to provide assurance on the governance, risk and control processes in place.

4.0 Report details

- 4.1 The Public Sector Internal Audit Standards require that the Internal Audit Consortium Manager reports periodically to the Standards and Audit Committee in respect of performance against the audit plan. Significant risk and control issues should also be reported.
- 4.2 The 2021/22 Internal audit plan was approved at the Standards and Audit Committee on the 21st April 2021.

- 4.3 Attached, as Appendix 1, is a summary of reports issued to date in respect of the 2021/22 internal audit plan. This period 4 reports have been issued 2 with substantial assurance and 2 with reasonable assurance.
- 4.4 The assurance level is awarded in respect of the controls in place and the system's ability to meet its objectives and manage risk in line with the definitions below.

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

- 4.5 No fraud has been detected.
- 4.6 Appendix 2 shows the 2021/22 internal audit plan and details the audits that have been completed and those in progress. A slow start has been made to the 2021/22 internal audit plan as the 2020/21 plan overran and we have been recruiting to the vacant auditor post. A successful appointment has been made to the Auditor post however there will be a significant training period before the new auditor is fully productive.

5.0 Alternative options

- 5.1 The report is for information.

6.0 Implications for consideration – Council Plan

6.1 Audit reviews help to ensure that the council's resources and priorities are focused on achieving the objectives within the council plan.

7.0 Implications for consideration – Financial and value for money

7.1 Internal audit reviews help to ensure that processes and controls are operating effectively thereby contributing to ensuring that value for money is obtained.

8.0 Implications for consideration – Legal

8.1 The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

9.0 Implications for consideration – Human resources

9.1 None.

10.0 Implications for consideration – Risk management

10.1 Regular audit reviews help to ensure that risk is appropriately managed.

11.0 Implications for consideration – community wellbeing

11.1 Whilst there are not considered to be any direct community and wellbeing impacts in relation to this report, sound internal control, governance and risk management arrangements will support the achievement of the Council's objectives.

12.0 Implications for consideration – Economy and skills

12.1 Whilst there are not considered to be any direct economy and skills impacts in relation to this report, sound internal control, governance and risk management arrangements will support the achievement of the Council's objectives.

13.0 Implications for consideration – Climate Change

13.1 Whilst there are not considered to be any direct climate change impacts in relation to this report, sound internal control, governance and risk management arrangements will support the achievement of the Council's objectives.

14.0 Implications for consideration – Equality and diversity

14.1 None

Decision information

Key decision number	<i>Non-key</i>
Wards affected	None

Document information

Report author	
Jenny Williams Internal Audit Consortium Manager Finance	
Background documents	
None	
<i>This must be made available to the public for up to 4 years.</i>	
Appendices to the report	
Appendix 1	Reports issued in respect of the 2021/22 Internal Audit Plan to date
Appendix 2	Progress on the 2021/22 Internal Audit Plan

Chesterfield Borough Council – Internal Audit Consortium

Report to Standards and Audit Committee

Summary of Internal Audit Reports Issued 2021/22 Internal Audit Plan

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Report Ref No.	Report Title	Scope & Objectives	Assurance Level	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
001	Crematorium Income	To review the processes and procedures in place.	Substantial	18/5/21	8/6/21	19/5/21	4L	4
002	Bank Reconciliation	To ensure that bank reconciliations are regular and undertaken in a timely and accurate manner	Substantial	6/7/21	27/7/21	29/7/21	1L	1
003	National Non - Domestic Rates	To ensure that bills are raised promptly and accurately and that there are appropriate debt collection procedures in place	Reasonable	26/7/21	16/8/21	10/9/21	4L	4

Report Ref No.	Report Title	Scope & Objectives	Assurance Level	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
004	Insurance	To ensure that the council has appropriate insurance in place	Reasonable	26/8/21	17/9/21		3 (2M 1L)	Note 1

Note 1 Response not due at time of writing Report

H = High Priority

M = Medium Priority

L = Low priority

Chesterfield Borough Council 2021/22 Internal Audit Plan

Complete
In Progress
On going

Main Financial Systems	Priority	Audit Days 2021/22
Main Accounting & the Medium- Term Financial Plan	M	12
HRA Business Plan	M,	5
Business Grants	H	15
Creditor Payments (Accounts Payable)	M	25
Debtors (Accounts Receivable)	H	15
Housing / Council Tax Benefits	M	21
Housing Rents	M	20
Housing Repairs – Revenue (Voids)	H	20
National Non- Domestic Rates	H	20
Treasury Management	M	15
Payroll / Arvato /Kier return	H	25+5
		198
Total		
Other Operational Audits		
Brimington Parish Council	N/A	5
Contract Final Accounts	M	5
Crematorium	M	12
Gas Servicing / Property Compliance	H	15
Healthy Living Centre	M	15
Markets Income	M	12
Planning Fees	M	12
Refuse Collection – Domestic	M	10
Queens Park Sports Centre	M	20
EMU Warmer grants	M	5
Total		111
Computer and IT Related		
ICT Transformation Programme	H	12
Members p.c's / I pads	M	10
New system Review / upgrades	M	10
Total		32
Cross Cutting Issues		
Business Continuity Planning	H	15

Corporate Governance and Annual Governance Statement	N/A	20
Corporate Targets	M	12
Financial Advice / Working Groups/Transformation Projects	N/A	25
Property Repairs (Non housing)	H	12
Projects / Project management e.g. econ Dev,	M	20
Risk Management	M	5
Total		109
Fraud and Corruption		
National Fraud Initiative	N/A	5
Total		5
Apprenticeships / Training	N/A	30
Contingency/Special Investigations/Emerging risks	N/A	50
Update Test Schedules	N/A	10
Audit Committee / Client Officer Liaison	N/A	15
Planned Total Days 2021/22		560

Reserve Areas

Council Tax
 Cash and Bank
 Property Rents
 Insurance
 Bank Reconciliation
 Health & Safety
 Inventory / disposal of old equipment
 Housing acquisitions
 Housing capital
 Homelessness
 Decoration vouchers

For publication

Review of the Internal Audit Charter

Meeting:	Standards and Audit Committee
Date:	29 th September 2021
Cabinet portfolio:	Governance
Directorate:	Finance
For publication	

1.0 Purpose of the report

- 1.1 To report to Members for information and approval the results of a review of the Internal Audit Charter. The Public Sector Internal Audit Standards (PSIAS) state that the Head of Internal Audit must periodically review the Internal Audit Charter and present it to the relevant Committee for approval.

2.0 Recommendations

- 2.1 That Members note the outcome of the review of the Internal Audit Charter.
- 2.2 That subject to any comments Members may wish to make, that the Internal Audit Charter be agreed.
- 2.3 That the agreed Internal Audit Charter be reviewed in a years' time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards

3.0 Reason for recommendations

- 3.1 To comply with the Public Sector Internal Audit Standards and to clearly set out the purpose, authority and principal responsibilities of the Internal Audit Consortium.

4.0 Report details

- 4.1 The Public Sector Internal Audit Standards (PSIAS) which took effect from the 1 April 2013 require that the purpose, authority and responsibility of internal audit must be formally defined in an Internal Audit Charter (Appendix 1).
- 4.2 The Internal Audit Charter was last formally approved by this Committee in September 2020. It was agreed that the Charter would be reviewed every year to ensure that it is kept up to date.
- 4.3 There have been no updates to the PSIAS since the last review of the charter.
- 4.4 The current Internal Audit Charter has been reviewed and it is felt that it is still fit for purpose. In places the current Charter refers to “internal control” or the “control environment”, these references have been replaced by the current best practice terminology which is “risk management, governance and internal control processes”. The other change is in respect of Bolsover District Council Audit Committee now being the Audit and Corporate Overview Scrutiny Committee.
- 4.5 The Internal Audit Charter is attached as Appendix 1.

5.0 Alternative options

- 5.1 There are no alternative options.

6 Implications for consideration – Council Plan

- 6.1 None.

7 Implications for consideration – Financial and value for money

- 7.1 The adoption of a Charter in line with the PSIAS helps to ensure that the Internal Audit Consortium is operating in line with best practice and thereby providing value for money.

8 Implications for consideration – Legal

- 8.1 The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the

Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

9 Implications for consideration – Human resources

9.1 None.

10 Implications for consideration – Risk management

10.1 The re-adoption of the Internal Audit Charter will help to ensure that the Internal Audit Consortium continues to provide a quality service in line with the PSIAS reviewing risk management, governance and internal control processes.

11 Implications for consideration – community wellbeing

11.1 None.

12 Implications for consideration – Economy and skills

12.1 None.

13 Implications for consideration – Climate Change

13.1 None.

14 Implications for consideration – Equality and diversity

14.1 None

Decision information

Key decision number	<i>Non-key</i>
Wards affected	None

Document information

Report author	
Jenny Williams Internal Audit Consortium Manager Finance	
Background documents	
None	
Appendices to the report	
Appendix 1	Internal Audit Charter

BOLSOVER, CHESTERFIELD AND NORTH EAST DERBYSHIRE DISTRICT COUNCILS'

INTERNAL AUDIT CHARTER

INTRODUCTION

1. The Public Sector Internal Audit Standards (PSIAS) which took effect from 1 April 2013 require the adoption of an Internal Audit Charter. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit Consortium that have been established to provide the internal audit service to the three Councils'.

PSIAS/REGULATORY BASIS OF OPERATION

2. The adoption of the PSIAS is mandatory and includes a
 - Definition of Internal Auditing
 - Code of ethics
 - International Standards for the Professional Practice of Internal Auditing

3. The Mission of Internal Audit is: -

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

4. The Internal Audit Consortium adopts the PSIAS and the purpose and definition of Internal Audit as specified by the PSIAS: -

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

5. The Internal Audit Consortium also adopts and is mindful of the Core Principles for the Professional Practice of Internal Auditing. So, the Internal Audit Consortium: -

- Demonstrates integrity.
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation,
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance

- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

The requirement for an internal audit function in local government is specified within the Accounts and Audit (England) Regulations 2015, which state:

A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

6. The Consortium agreement details how the Consortium will operate in terms of finance, staffing, reporting and independence.
7. Internal Audit is also governed by policies, procedures, rules and regulations established by the host Council. These include Financial Regulations, Conditions of Service, Codes of Conduct and Anti-Fraud and Corruption strategies.
8. Where key services are to be provided to one of the partner Councils' by other contractors or through a partnership, in order for internal audit to form an opinion on the risk management, governance and internal controls in place, a right of access to relevant information and documents should be included in contracts or agreements concerned.

DEFINITIONS

9. The PSIAS require that the Charter must define the terms "Board" and "Senior Management" for the purposes of internal audit activity.
10. The PSIAS glossary defines the board as:

The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically this includes an independent group of directors (e.g. a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the "board" may refer to the head of the organisation, "Board" may refer to an audit committee to which the governing body has delegated certain functions.
11. At Chesterfield Borough Council the "Board" will be the Standards and Audit Committee.
At Bolsover District Council the "Board" will be the Audit and Corporate Overview Scrutiny Committee
At North East Derbyshire District Council the "Board" will be the Audit and Corporate Governance Scrutiny Committee.
12. In addition to this the Joint Board will approve and monitor the annual business plan and financial position of the Consortium.

13. "Senior Management" – those responsible for the leadership and direction of the Council. This will be each Council's Senior Management Team.
14. The PSIAS adopt the term "Chief Audit Executive", this role is met by the Internal Audit Consortium Manager.

SCOPE AND OBJECTIVES OF INTERNAL AUDIT

15. The scope of the Internal Audit Consortium encompasses the examination and evaluation of the adequacy and effectiveness of each organisation's governance, risk management and internal control processes in relation to each organisation's defined goals and objectives.
16. The Audit Consortium's remit covers all functions and services for which the Council's are responsible and this extends to the entire risk management, governance and internal control processes of the organisations and not just financial controls.
17. The Consortium will objectively examine, evaluate and report on the adequacy of the risk management, governance and internal controls in place as a contribution to the proper, economic, efficient and effective use of resources.
18. The internal audit service will be delivered on the basis of a risk assessment of auditable areas at each of the partner authorities. A predominantly systems based approach to most audits will be adopted.
19. The risk management, governance and internal control processes comprises the whole network of systems established within each partner authority to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:
 - Consistency of operations with established objectives and goals,
 - The reliability and integrity of financial and operational information,
 - The effectiveness and efficiency of operations and programmes,
 - Safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption,
 - Compliance with laws, regulations, policies, procedures and contracts,
 - The economic and efficient use of resources (value for money) and effective monitoring systems and optimum use of performance management information.
20. With the introduction of the PSIAS, internal audit may also provide "consultancy" services. This work could take any form, provided that the independence of the service is not compromised, but will typically include special reviews or assignments where requested by management, which fall outside the approved plan and for which a contingency is included in the audit plan. There will be no significant consultancy work undertaken without the approval of the relevant Audit Committee.

RESPONSIBILITIES AND REPORTING

21. The PSIAS requires that the Internal Audit Charter should establish the responsibilities and reporting arrangements of internal audit.
22. The Internal Audit Consortium Manager reports directly to each Council's Audit Committee and to each Chief Financial Officer / Director. The Internal Audit Consortium Manager also has direct access to each Council's Chief Executive / Directors , Monitoring Officer and where necessary elected Members.
23. The Internal Audit Consortium Manager will manage the provision of the Internal Audit service to each Council by: -
 - Preparing each year in advance a risk- based audit plan for discussion and agreement by each council's Client Officer and approval by the Audit Committee. Any in-year significant changes to the audit plan shall be agreed by the respective Client Officers and Audit Committees,
 - Preparing the internal audit budget and resource plan for approval by the Joint Board,
 - Presenting an annual report to each Council's Audit Committee that meets the requirements of the PSIAS and includes: -
 - An overall opinion on the adequacy and effectiveness of the organisation's risk management, governance and internal control processes (including any qualifications to that opinion),
 - Presents a summary of the audit work from which the opinion is derived, including reliance placed on the work by other assurance bodies,
 - Draws attention to any issues the Internal Audit Consortium Manager judges particularly relevant to the preparation of the Annual Governance Statement,
 - Compares work actually undertaken with work that was planned and to report relevant performance measures and targets.
 - Presenting periodic reports to each Audit Committee summarising all internal audit reports issued and if considered necessary providing copies of the reports,
 - Formally report the findings and recommendations of audit work to senior management and the respective Audit Committee throughout the year. Audit reports will: -
 - Include an audit opinion on the reliability of the risk management, governance and internal control processes in the system or area audited,
 - Identify inadequately addressed risks and non-effective control processes,
 - Detail management's response and timescale for corrective action,
 - Identify issues of good practice.
 - Ensuring audit work is supervised, reviewed, recorded and reported,
 - Implementing a follow up process for ensuring the effective implementation of audit recommendations or ensuring senior management are aware of the consequences of not implementing a recommendation and are prepared to accept the risk,

- Liaising as needed with the External Auditor for each Council and with other regulators,
 - Maintaining and managing a risk assessment in relation to the functions of the Consortium,
 - Ensuring that there is an up to date Audit Manual in place setting out expected standards for the service, and monitoring compliance with these standards, including in relation to the planning, conduct, quality assurance and reporting of audit assignments.
24. Senior managers should assist audit to discharge their duties by:
- The prompt provision of information and explanations,
 - Providing input to the audit plan to ensure attention is focused on areas of greatest risk,
 - Informing the Audit Consortium of any plans for change, including new systems,
 - Responding to the draft internal audit report, including provision of management responses to recommendations, within the timescale requested by the audit team,
 - Implementing agreed management actions in accordance with agreed timescales,
25. The respective Audit Committees must:
- Approve the Internal Audit Charter,
 - Approve the risk based internal audit plan,
 - Receive progress reports and an annual report from the Internal Audit Consortium Manager in respect of the audit plan,
 - Approve any large variances or consulting services not already included in the audit plan.
26. The Joint Board will:
- Approve the internal audit budget and outturn.

AUDIT RESOURCES

27. The Chief Financial Officer at each Council will ensure that the Audit Consortium has the necessary resource to enable the Internal Audit Consortium Manager to be able to give an annual evidence-based opinion.
28. The staffing and budget of the Internal Audit Consortium will be kept under review by the Internal Audit Consortium Manager, bearing in mind the resource requirements identified in the audit plan process. Where resources available do not match the resource requirements identified by the annual audit plans, the Internal Audit Consortium Manager will report to the Joint Board.
29. The Internal Audit Consortium Manager will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience. The Internal Audit Consortium Manager will

ensure that the internal audit service is appropriately skilled in terms of qualifications, knowledge and experience.

QUALITY AND ASSURANCE PROGRAMME

30. The PSIAS state that a quality assurance and improvement programme must include both internal and external assessments. Internal assessments should be ongoing and periodical and external assessments must be undertaken at least once every 5 years.
31. All internal audits are subject to a management quality review. Policies and procedures to guide staff in performing their duties have been established within the audit manual.
32. The internal self- assessment of internal audit will be undertaken annually by completing the checklist for assessing conformance with the PSIAS included within the PSIAS Application Note.
33. External assessment can be satisfied by either arranging a full external assessment or by undertaking a self assessment with independent validation. External assessments must be by a qualified, independent assessor from outside the organisations. The Internal Audit Consortium Manager must discuss the format of the external assessments and the qualifications and independence of the assessor with the Audit Committee.
34. An external assessment of the internal audit function will take place at least once every 5 years and the results reported back to the Audit Committee of each Council.
35. The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

INDEPENDENCE, AUTHORITY AND ETHICS

36. In order to achieve its objectives effectively, Internal Audit must be seen to be independent. Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that no quality compromises are made.
37. The scope of internal audit allows for unrestricted access at each partner authority to all records, personnel, premises and assets deemed necessary to obtain information and explanations as it considers necessary to fulfil its responsibilities in the course of the audit. Such access shall be granted on demand and not subject to prior notice.
38. This right of access is included in the agreement signed by the three authorities establishing the Internal Audit Consortium and in each authority's Financial Regulations. In addition, where necessary, the Internal Audit Consortium Manager will have unrestricted access at each authority to:

- The Chief Executive / Relevant Director
 - The Chief Financial Officer
 - Members
 - The Monitoring Officer
 - The Chair and Members of the Audit Committee
 - Individual Directors / Heads of Service
 - All Other Employees
 - The External Auditor
39. The Internal Audit Consortium Manager will confirm to the Audit Committees' at least annually, the organisational independence of the internal audit activity.
40. Independence is further achieved by:
- Reporting to the Audit Committee and senior management at each authority,
 - Not being part of system and procedures being audited,
 - Rotating responsibility for audit assignments within the audit team,
 - Completing declaration of interest forms on an annual basis,
 - Internal Audit staff not undertaking an audit in an area where they have had operational roles for at least two years.
41. If any member of the Internal Audit Consortium considers there is or could be a conflict of interest, this must be declared to the Internal Audit Consortium Manager who will direct alternative and independent resources to the audit.
42. Where internal audit staff are required to undertake non-audit duties, the Internal Audit Consortium Manager will make it clear that those audit staff are not fulfilling those duties as internal auditors. The Internal Audit Consortium Manager will ensure that within the service there remains sufficient impartiality to enable the actions and activities of those internal audit staff to be subject to audit by those independent from the activity.
43. Internal auditors must conform to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Ethics in addition to those of other professional bodies of which they hold membership.
44. The Code of Ethics promotes an ethical, professional culture to ensure fairness, objectivity and freedom from conflicts of interest. The key principles are;
- Integrity – to establish trust thus providing reliance on their judgement;
 - Objectivity – in gathering, evaluating and communicating information about the activity or process being examined in order to make a balanced assessment of all relevant circumstances without influence;
 - Confidentiality – to respect the value and ownership of information received which should not be disclosed without appropriate authority or a legal or professional obligation to do so, nor be used for personal gain; and

- Competence – to apply knowledge, skills and experience appropriately.

FRAUD AND CORRUPTION

45. Managing the risk of fraud and corruption is the responsibility of management. Each Council has an Anti Fraud and Corruption strategy and a zero tolerance towards fraud.
46. The Internal Audit Consortium Manager should be notified of all suspected or detected fraud, corruption or impropriety in accordance with each Council's Financial Regulations and Anti Fraud and Corruption strategies, in order to inform their opinion of the risk management, governance and internal control arrangements in place.
47. Subject to availability of resources with the internal audit plan, internal audit may assist management in the investigation of suspected fraud and corruption.
48. The Internal Audit Consortium Manager will report any instances of fraud detected as a result of audits undertaken to the Audit Committee.

REVIEW OF THE INTERNAL AUDIT CHARTER

49. The Internal Audit Charter will be reviewed every year by the Internal Audit Consortium Manager and will be reported to each Council's Audit Committee for approval.

For publication

Treasury Management Annual Report 2020/21 and Monitoring Report 2021/22

Meeting:	Standards and Audit Committee Council
Date:	29 th September 2021 13 th October 2021
Cabinet portfolio:	Deputy Leader
Directorate:	Finance

1.0 Purpose of report

- 1.1 To consider the Annual Treasury Management Report for 2020/21.
- 1.2 To consider the Treasury Management activities for the first five months of 2021/22
- 1.3 To approve the revised prudential indicator in respect of the maturity structure of borrowing for the financial year 2021/22.

2.0 Recommendations

That the Standards and Audit Committee recommends to the full Council that:

- 2.1 The outturn Prudential Indicators for 2020/21 be approved.
- 2.2 The treasury management stewardship report for 2020/21 be approved.
- 2.3 The treasury management position for the first five months of 2021/22 be noted.
- 2.4 The revised prudential indicator in respect of the maturity structure of borrowing for the financial year 2021/22 be approved.

3.0 Reasons for recommendations

3.1 To keep Members informed about the council’s treasury management activities and to comply with the CIPFA Code of Practice for Treasury Management in the Public Services.

4.0 Report Details

4.1 Background

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

4.1.2 The Annual Report for 2020/21 is attached at Appendix A. The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

4.1.3 Following the Icelandic banks collapse in 2008 the regulatory framework places a much greater emphasis on the review and scrutiny by Members of treasury management activities. The attached report provides details of the treasury management activities in 2020/21 and confirms compliance with the Council’s approved policies.

4.2 Summary of the Annual Report

4.2.1 During 2020/21, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2019/20 Actual £'000	2020/21 Revised £'000	2020/21 Actual £'000
Actual capital expenditure	25,539	70,400	31,423
Capital Financing Requirement:			
- General Fund	18,447	48,100	24,665
- HRA	128,403	126,477	126,477
Total	146,850	174,577	151,142
External debt	127,341	138,400	125,429
Investments	42,129	10,000	32,420
Net borrowing	85,212	128,400	93,009

- 4.2.2 Other prudential and treasury indicators are to be found in Appendix A. The Service Director - Finance also confirms that borrowing over the medium term is only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached in 2020/21.
- 4.2.3 The financial year 2020/21 continued the challenging environment of low investment return, with bank base rates holding steady at a record low of 0.10% for the entire year. There was a large differential between borrowing and investments rates during the year.
- 4.2.4 **Investments** – Interest income received for the year was on budget at £96,000. During the 2020/21 financial year the Council continued with its policy of prioritising its investments with other local authorities and the Debt Management Office in order to achieve greater security. Further information can be found in Appendix A.
- 4.2.5 The in-house team managed average balances of £49.5m earning an average rate of return of 0.19%.
- 4.2.6 **Borrowing** – in terms of activity during the year on the Council’s debt portfolio:
- No new external long term borrowing was undertaken; &
 - Long term loan repayments of £1m were made.
- 4.2.7 **Treasury Management Advisors** – Arlingclose continued to provide treasury management advice to the Council throughout 2020/21. Treasury recommendations were incorporated into the 2020/21 Treasury Management Strategy Statement that was approved by Council in February 2020.
- 4.3 Mid-year Review 2021/22
- 4.3.1 **Annual Investment Strategy** - In accordance with the CIPFA Code and the Council’s Treasury Management Strategy, the investment priority is to ensure security and liquidity of capital, and to obtain an appropriate level of return which is consistent with the Council’s risk appetite. Due to the Covid-19 pandemic the Bank Rate remains at a record low of 0.10%; this, together with the continuing uncertainty of economic recovery and the geo-political uncertainties prompt a low risk and short term strategy. There is the possibility that the Bank of England could cut rates further, and the possibility of negative interest rates cannot be ruled out. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the five months ended 31st August 2021.

4.3.2 **Internally Managed Cash Balance** - In the first quarter of the year the interest rates achieved were lower than those assumed when setting the budget (0.01% against 0.1%), which has resulted in internal investment returns being £5,000 worse than forecast for the first quarter of the year.

4.3.4 **Borrowing activities in the period** – Short term borrowing of £5m has been undertaken during the first 5 months of 2021/22. No repayments of principal have yet been made and no debt rescheduling has been undertaken.

4.3.4 **Compliance with Treasury & Prudential Limits** - All treasury limits and Prudential Indicators set out in the Council’s Treasury Management Strategy Statement and in compliance with the Council’s Treasury Management Practices have been maintained.

The main Prudential Indicators relating to borrowing are:

- Authorised Borrowing Limit – the limit for the year was set at £188.8m, the limit has not been breached.
- Operational Boundary – this was set at £175.6m for the year, again the limit has not been breached.

4.4 Treasury Management and Prudential Indicators

4.4.1 The Prudential Indicators for 2021/22 were approved in February 2021. Following a mid-year review of these indicators an amendment to the Maturity Structure of Borrowing indicator is proposed.

4.4.2 This indicator is set to control the Authority’s exposure to refinancing risk. The revised upper and lower limits on the maturity structure of borrowing for 2021/22 will be:

	Upper limit	Lower limit
Under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	40%	0%
10 years and within 25 years	70%	20%
25 years and above	75%	15%

This change is suggested to provide increased flexibility in managing cashflow requirements.

4.4.3 Amendments to the 2021/22 General Fund capital programme will be considered by Council in December. Further borrowing may be necessary and this additional borrowing would require an adjustment to the Prudential Indicators (PI's) approved as part of the Treasury Management Strategy Statement in February. The PI's detailed below would need to be amended:-

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

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

5 Alternative options

5.1 There are no alternative options to consider.

6 Implications for consideration – Council Plan

6.1 These arrangements enable the priorities set out in the Council Plan to be achieved.

7 Implications for consideration – Financial and value for money

7.1 The report in its entirety deals with financial and value for money implications.

8 Implications for consideration – Legal

8.1 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003. There are no other legal implications.

9 Implications for consideration – Human resources

9.1 There are no human resource considerations arising from this report.

10 Implications for consideration – Risk management

10.1 There are a number of risks inherent within any treasury management strategy, the most significant risks at the moment include:

- Reporting is not compliant with statutory guidelines.
- Investment and borrowing activity is outside the approved TM framework.
- Long term borrowing is taken at rates that are not advantageous.
- Investment of principal sums with insecure counterparties.
- Investment returns are volatile and may not meet budgeted amounts.
- Borrowing is not affordable.

11 Implications for consideration – community wellbeing

11.1 Although there are no direct community wellbeing implications to consider in this report, the ability for the Council to appropriately manage its day to day finances and to be able to achieve a balanced budget position is critical to the continued delivery of the full range of council services that are targeted at supporting community wellbeing across the borough.

12 Implications for consideration – Economy and skills

12.1 Although there are no direct economy and skills implications to consider in this report, the ability for the Council to appropriately manage its day to day finances and to be able to achieve a balanced budget position is critical to the continued delivery of the full range of council services that are targeted at supporting the economy and skills agenda across the borough.

13 Implications for consideration – Climate Change

13.1 Individual climate change and environmental impact assessments are not required for the budget process. These are included as part of the decision-making processes for specific spending options.

14 Implications for consideration – Equality and diversity

14.1 There are no and diversity impact implications arising from this report.

Decision information

Key decision number	1054
Wards affected	All wards

Document information

Report author	Contact number/email
Karen Ludditt	01246 936276 Karen.ludditt@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	
Appendices to the report	
Appendix A	Annual Treasury Management Report 2020/21

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Treasury Management Outturn Report 2020/21

Introduction

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

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

The Council's treasury management strategy for 2020/21 was approved at a meeting of the Authority on 26th February 2020. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

External Context

Economic background: The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

Financial markets: Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

Credit review: Credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government.

The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Local Context

On 31st March 2021, the Authority had net borrowing of £93m arising from its revenue and capital income and expenditure, an increase on 2020 of £7.8m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.20 Actual £000	2020/21 Movement £000	31.3.21 Actual £000
General Fund CFR	18,447	6,218	24,665
HRA CFR	128,403	(1,926)	126,477
Total	146,850	4,292	151,142
Less: Usable reserves	(47,233)	(8,877)	(56,110)

Less: Working capital	(14,405)	12,382	(2,023)
Net borrowing	85,212	7,797	93,009

Net borrowing has increased due to a rise in the CFR as new capital expenditure was lower than the financing applied.

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31st March 2021 and the year-on-year change is shown in table 2 below.

Table 2: Treasury Management Summary

	31.3.20 Balance £000	2020/21 Movement £000	31.3.21 Balance £000	31.3.21 Rate %
Long-term borrowing	127,341	(1,912)	125,429	
Short-term borrowing	0	0	0	
Total borrowing	127,341	(1,912)	125,429	3.76
Long-term investments	0	0	0	
Short-term investments	28,104	28,104	0	
Cash and cash equivalents	14,025	(18,395)	32,420	
Total investments	42,129	9,709	32,420	0.01
Net borrowing	85,212	7,797	93,009	

Borrowing Activity

At 31st March 2021, the Authority held £125m of loans, a decrease of £2m on the previous year, as part of its strategy for funding previous years' capital programmes. The year-end borrowing position and the year-on-year change in show in table 3 below.

Table 3: Borrowing Position

	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	31.3.21 Rate %	31.3.21 Average maturity years
Public Works Loan Board	127,341	(1,912)	125,429	3.76	26 years
Total borrowing	127,341	(1,912)	125,429		

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

In furtherance of these objectives, no new external borrowing was undertaken in 2020/21, while existing loans were allowed to mature without replacement. This strategy enabled the Authority to reduce net borrowing costs and reduce overall treasury risk.

In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate if required.

Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2020/21, the Authority's investment balance ranged between £32m and £74m million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table 4 below.

Table 4: Investment Position

	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	31.3.21 Rate %	31.3.21 Average maturity years
Government (incl. local authorities)	28.0	(15.2)	12.8	0.00	<1 year
Money Market Funds	14.1	5.5	19.6	0.01	<1 year
Total investments	42.1	(9.7)	32.4		

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

In furtherance of these objectives, the Authority continued to increase deposits into more secure asset classes during 2020/21. As a result, investment risk was lowered.

Other Non-Treasury Holdings and Activity

Although not classed as treasury management activities, the 2017 CIPFA Code now requires the Authority to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and regeneration purposes as well as commercial investments which are made mainly for financial reasons. The Authority holds £44m of directly owned investment property and land. The Authority also holds a £100,000 loan to the Derbyshire Building Control Partnership that commenced in March 2018, a

£67,500 loan to Staveley Town Council that commenced in March 2020 and a £500,000 loan to Chesterfield Football Club Community Trust that commenced in August 2020.

Performance Report

The Authority measures the financial performance of its treasury management activities in terms of its impact on the revenue budget, as shown in table 5 below.

Table 5: Performance

	Actual £000	Budget £000	Over/ under
Total investment income	(96)	(97)	1
Total debt expense	4,783	4,784	(1)
GRAND TOTAL	4,687	4,687	0

Compliance Report

The Service Director - Finance is pleased to report that all treasury management activities undertaken during 2020/21 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 6 below.

Table 6: Investment Limits

	2020/21 Maximum	31.3.21 Actual	2020/21 Limit	Complied
Any single organisation (excluding Central Government)	£5m	£0	£5m	✓
Any group of funds under the same management	£4m	£0	£7.5m	✓
Enhanced Money Market Funds	£12m	£9.9m	£12m	✓

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	2020/21 Maximum £000	31.3.21 Actual £000	2020/21 Operational Boundary £000	2020/21 Authorised Limit £000	Complied
Borrowing	£127,341	£125,429	£143,400	£158,000	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was below the operational boundary for the whole of 2020/21.

Treasury Management Indicators

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

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates were:

Interest rate risk indicator	31.3.21 Actual	2020/21 Limit	Complied
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£28,000	£300,000	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£28,000	£300,000	✓

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

	31.3.21 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	10%	0%	✓
12 months and within 24 months	2%	10%	0%	✓
24 months and within 5 years	7%	15%	0%	✓
5 years and within 10 years	11%	25%	0%	✓
10 years and within 25 years	51%	70%	20%	✓
25 years and above	26%	75%	20%	✓

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

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

	2020/21	2021/22	2022/23
Actual principal invested > 364 days	£0	£0	£0
Limit on principal invested > 364 days	£10m	£10m	£10m
Complied	✓	✓	✓

FOR PUBLICATION

LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REVIEW LETTER 2021

MEETING: (1) STANDARDS AND AUDIT COMMITTEE
(2) CABINET MEMBER FOR FINANCE AND GOVERNANCE

DATE: (1) 29TH SEPTEMBER 2021
(2) tbc

REPORT BY: MONITORING OFFICER

WARD: ALL

1.0 PURPOSE OF REPORT

1.1 To inform members about the Local Government and Social Care Ombudsman Annual Review Letter.

2.0 RECOMMENDATION

2.1 To note the report.

3.0 BACKGROUND

3.1 Each year local authorities are sent an annual review letter by the Ombudsman. This summarises statistics about complaints received by the Ombudsman and their outcome.

3.2 This report informs members about the latest annual letter, received in July 2021, relating to Chesterfield Borough Council's performance in the year ending 31st March 2021.

3.3 A complaint to the Ombudsman stage is the final stage that a complaint about council service can be taken. The Ombudsman usually requires a complaint to have completed all stages of the Council's internal procedures before

considering it¹. This can mean that a complaint is referred back to the Council if it has not completed the internal stages.

4.0 ANNUAL LETTER

- 4.1 A copy of the Annual Letter is attached at Appendix 1.
- 4.2 The letter shows that 7 complaints were made about the council to the Ombudsman in the period 1st April 2020 to 31st March 2021 (in 2020 15 complaints were made).
- 4.3 These related to Benefits and Tax (1), Corporate & Other Services (1) Planning and Development (3), Housing (1) and Education and Childrens Services (1)².
- 4.4 Of the complaints, 1 was referred back for local resolution (these are typically because the Council's internal complaints procedures have not been used or used completely) in this case it was the one which appeared to relate to a county function (see note 1), 1 was closed after initial enquiries. On 1 advice was given. Individual decisions can be viewed on the Ombudsman website³. It is not possible to discuss individual cases at the meeting as to do so would risk disclosing personal data.
- 4.5 Four complaints were upheld by the Ombudsman in the year. In all cases the authority had provided a satisfactory remedy, in the benefits and tax case a satisfactory remedy was provided before the complaint reached the Ombudsman. Of the upheld cases, the two planning complaints related to development on the same site, and delay by the authority in dealing with the complaint, undoubtedly resulted from other priorities arising from the pandemic, contributed to the complaint being upheld. The remaining case related to an allotment run by an association (i.e. not the council), but the Ombudsman considered more should have been done by the council in intervening in a dispute between the association and an allotment holder. In the five preceding years no complaints had been upheld against the Council.
- 4.6 The Annual Review Letter also refers to the effect of Covid-19 on the Ombudsman service (all their casework stopped between March and June 2020, but not paused during further waves of the pandemic), contains

¹ <https://www.chesterfield.gov.uk/home/about-this-website/contact-us/comments-complaints-compliments.aspx>

² Possibly a LGO error as this appears to be a DCC function related complaint.

³ <https://www.lgo.org.uk/Decisions/SearchResults?t=both&fd=0001-01-01&td=2020-9-8&dc=c%2Bnu%2Bu%2B&aname=Chesterfield+Borough+Council&sortOrder=descending>

information about interpretation of performance, the interactive data map (see below) and complaint handling training and best practice advice.

- 4.7 The letter includes a general comment about reduction in effective complaint handling functions in local authorities linked by the Ombudsman to budget pressures and the Covid pandemic. This is emphasized in the national Ombudsman Annual Report⁴.

5.0 COMPARISON OF RECENT YEARS

- 5.1 A table attached at Appendix 2 compares the past 5 years of Annual Letters.

- 5.2 With 2020 has the second highest number of complaints (2018 had 17, though 6 years ago - 2015 - had 23).

- 5.3 In no cases in the last 5 years were complaints about the Council upheld by the Ombudsman. This is also consistent with the Council's performance in years prior to 2015.

- 5.4 The Ombudsman website contains an interactive data map of council performance. This is at:

<https://www.lgo.org.uk/your-councils-performance>.

- 5.5 The national average for upheld complaints and figures for nearby local authorities is as follows:

	Upheld complaints
<i>National Average</i>	<i>53% (71% for counties)</i>
Chesterfield Borough Council	100% (4 of 4)
Derbyshire County Council	68% (13 of 19)
Derbyshire Dales District Council	100% (1 of 1)
North East Derbyshire District Council	50% (1 of 2)
Bolsover District Council	100% (1 of 1)

6.0 CONCLUSION

- 6.1 There has been a dip in the Council's performance over the past year. Particular circumstances relating to the pandemic and individual cases contributed to this outcome.

⁴ <https://www.lgo.org.uk/information-centre/news/2021/jul/ombudsman-annual-review-highlights-widening-cracks-in-council-complaints-systems>

7.0 RECOMMENDATION

7.1 To note the report.

8.0 REASON FOR RECOMMENDATION

8.1 To inform members about the Council performance on complaints to the Ombudsman.

GERARD ROGERS
MONITORING OFFICER

Further information from Gerard Rogers, Monitoring Officer and Regulatory & Local Government Law Manager, Legal Services - Tel 345310 or gerard.rogers@chesterfield.gov.uk

21 July 2021

By email

Mr Bowen
Chief Executive
Chesterfield Borough Council

Dear Mr Bowen

Annual Review letter 2021

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2021. At the end of a challenging year, we maintain that good public administration is more important than ever and I hope this feedback provides you with both the opportunity to reflect on your Council's performance and plan for the future.

You will be aware that, at the end of March 2020 we took the unprecedented step of temporarily stopping our casework, in the wider public interest, to allow authorities to concentrate efforts on vital frontline services during the first wave of the Covid-19 outbreak. We restarted casework in late June 2020, after a three month pause.

We listened to your feedback and decided it was unnecessary to pause our casework again during further waves of the pandemic. Instead, we have encouraged authorities to talk to us on an individual basis about difficulties responding to any stage of an investigation, including implementing our recommendations. We continue this approach and urge you to maintain clear communication with us.

Complaint statistics

This year, we continue to focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have focused statistics on three key areas:

Complaints upheld - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated.

Compliance with recommendations - We recommend ways for authorities to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the authority upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit authorities that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data will be uploaded to our interactive map, [Your council's performance](#), along with a copy of this letter on 28 July 2021. This useful tool places all our data and information about councils in one place. You can find the decisions we have made about your Council, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the resource with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

As you would expect, data has been impacted by the pause to casework in the first quarter of the year. This should be considered when making comparisons with previous year's data.

Supporting complaint and service improvement

I am increasingly concerned about the evidence I see of the erosion of effective complaint functions in local authorities. While no doubt the result of considerable and prolonged budget and demand pressures, the Covid-19 pandemic appears to have amplified the problems and my concerns. With much greater frequency, we find poor local complaint handling practices when investigating substantive service issues and see evidence of reductions in the overall capacity, status and visibility of local redress systems.

With this context in mind, we are developing a new programme of work that will utilise complaints to drive improvements in both local complaint systems and services. We want to use the rich evidence of our casework to better identify authorities that need support to improve their complaint handling and target specific support to them. We are at the start of this ambitious work and there will be opportunities for local authorities to shape it over the coming months and years.

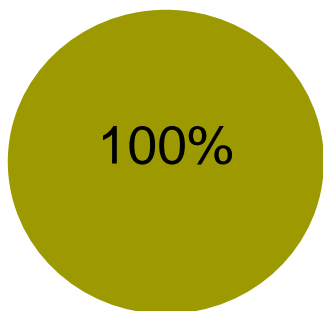
An already established tool we have for supporting improvements in local complaint handling is our successful training programme. During the year, we successfully adapted our face-to-face courses for online delivery. We provided 79 online workshops during the year, reaching more than 1,100 people. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Complaints upheld



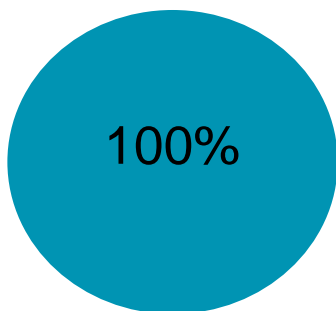
100% of complaints we investigated were upheld.

This compares to an average of **53%** in similar authorities.

4
upheld decisions

Statistics are based on a total of 4 detailed investigations for the period between 1 April 2020 to 31 March 2021

Compliance with Ombudsman recommendations



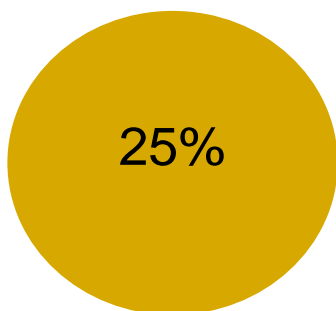
In **100%** of cases we were satisfied the authority had successfully implemented our recommendations.

This compares to an average of **100%** in similar authorities.

Statistics are based on a total of 1 compliance outcome for the period between 1 April 2020 to 31 March 2021

- Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedy provided by the authority



In **25%** of upheld cases we found the authority had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **16%** in similar authorities.

1
satisfactory remedy decision

Statistics are based on a total of 4 detailed investigations for the period between 1 April 2020 to 31 March 2021

NOTE: To allow authorities to respond to the Covid-19 pandemic, we did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints we received and decided in the 20-21 year. Please consider this when comparing data from previous years.

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Ombudsman Annual Letters – statistics - 2021

Complaints received

	Adult care services	Education and childrens services	Benefits and tax	Corporate and other services	Environment Services	Highways and Transport	Housing	Planning and Development	Other/Nul l	Total
2021	0	1	1	1	0	0	1	3	0	7
2020	0		3	5	2	0	0	4	1	15
2019	0		3	0	1	0	0	2	1	7
2018	0		0	3	3	1	6	4	0	17
2017	1		0	1	1	1	4	3	0	11

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Decisions made

	Incomplete/invalid complaint	Advice given	Referred back for local resolution	Closed after initial enquiries	Not upheld	Upheld	Uphold Rate	Total	Complaints remedied by LGO	Complaints remedied Satisfactorily before LGO involvement
2021	0	1	1*	1	0	4	66%	6	3	1
2020	2	1	7	4	0	0	0%	14	0	0

	Incomplete/invalid complaint	Advice given	Referred back for local resolution	Closed after initial enquiries	Not upheld	Upheld	Uphold Rate	Total	Complaints remedied by LGO	Complaints remedied Satisfactorily before LGO involvement
2019	0	1	5	0	2	0	0%	8	0	0
2018	0	4	7	3	2	0	0%	16	0	0
2017	0	3	4	3	1	0	0%	11	0	0

*DCC function?

**Standards and Audit Committee
2021/22 Work Programme**

Scheduled meeting dates:	Business items: (please note these are subject to change due to operational or workload pressures)	Function/Lead
28 July, 2021	Standards and Audit Committee Annual Report	Internal Audit
	Internal Audit Consortium Annual Report 2020/21	Internal Audit
	Internal Audit Consortium Progress Report	Internal Audit
	Implementation of Internal Audit Recommendations	Internal Audit
	External Review of Internal Audit	Internal Audit
	Review of the Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering)	Internal Audit
	Updates to the Constitution	Standards and Governance
29 September, 2021	Summary of Internal Audit Reports issued and progress update on the 2021/22 Internal Audit Plan	Internal Audit
	Ombudsman Annual Review Letter	Standards and Governance
	Review of the Internal Audit Charter	Internal Audit
	Treasury Management Annual Report 2020/21 and Monitoring Report 2021/22	Finance
24 November, 2021	Summary of Internal Audit Reports issued and progress update on the 2021/22 Internal Audit Plan	Internal Audit
	Annual review of the management of unreasonable complaints and complainants	Standards and Governance

	Standards and Audit Committee Self-Assessment	Internal Audit
	Audit Report on the 2020/21 Statement of Accounts	Finance/Mazars
16 February, 2022	Standards and Audit Committee Self-Assessment Action Plan	Internal Audit
	Progress update on the 2021/22 Internal Audit Plan	Internal Audit
	Treasury Management Strategy 2022/23	Finance
	Outstanding Internal Audit Recommendations	Internal Audit
	Standards of Conduct Annual Report	Standards and Governance
	Risk Management Strategy and Annual Review	Health, Safety and Risk
20 April, 2022	Progress update on the 2021/22 Internal Audit Plan	Internal Audit
	Chesterfield Borough Council Internal Audit Plan 2022/23	Internal Audit
	CIPFA Fraud and Corruption Survey Results 2021	Internal Audit
	Review of the Code of Corporate Governance and the 2021/22 Annual Governance Statement	Internal Audit
	Audit Strategy Memorandum 2021/22	External Auditors
	2021/22 Audit Progress Report	External Auditors
	RIPA Annual Report	Standards and Governance
Business items scheduled for future years:		

July 2023	Review of the Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering)	Internal Audit
	Appointment of Independent Remuneration Panel	Standards and Governance

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