



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

20 September 2022

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on WEDNESDAY, 28 SEPTEMBER 2022 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. Local Government Act 1972 - Exclusion of Public

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

5. Summary of Internal Audit Reports issued and progress update on the 2022/23 Internal Audit Plan (Pages 9 - 32)

6. Local Government Act 1972 - Re-admission of the Public
7. Implementation of Internal Audit Recommendations (Pages 33 - 42)
8. Review of the Internal Audit Charter (Pages 43 - 54)
9. Ombudsman Annual Review Letter (Pages 55 - 64)
10. Treasury Management Annual Report 2021/22 and Monitoring Report 2022/23 (Pages 65 - 80)
11. Decisions taken by Officers under Delegated Powers (Pages 81 - 88)
12. Standards and Audit Committee Work Programme 2022/23 (Pages 89 - 92)

Yours sincerely,

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

Head of Regulatory Law and Monitoring Officer

STANDARDS AND AUDIT COMMITTEE**Wednesday, 27th July, 2022**

Present:-

Councillor Caulfield (Chair)

Councillors Brady
Kellman
T MurphyCouncillors Snowdon
Christian

*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 Councillor Rayner.

3 MINUTES**RESOLVED –**

That the Minutes of the meeting of the Standards and Audit Committee held on 20 April, 2022 be approved as a correct record and be signed by the Chair.

4 STANDARDS AND AUDIT COMMITTEE ANNUAL REPORT 21/22

The Head of the Internal Audit Consortium presented the Standards and Audit Committee Annual Report for 2021/22. The Annual Report was attached at Appendix 1 of the officer's report.

The Chartered Institute of Public Finance and Accountancy (CIPFA) in their guidance note "Audit Committees – Practical Guidance for Local Authorities" recommend that an Audit Committee should produce an annual report on their activity. The production of an Annual Report helps

to assess the performance of the Committee and raises the profile of the Committee.

Members commented that all council and committee reports should consider climate change fully and discussed positive and practical steps that the Committee could take to raise the profile of climate change within the council. Members agreed to invite the Climate Change Officer to attend the Standards and Audit Committee to discuss how the Committee, through its powers, can support the embedding of climate change as a high profile issue across the council.

***RESOLVED –**

1. That the Standards and Audit Committee Annual Report for 2021/22 be recommended to Full Council for approval.
2. That the Climate Change Officer be invited to a future meeting of the Committee.

5 INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2021/22

The Head of the Internal Audit Consortium presented the Internal Audit Consortium Annual Report for 2021/22.

The report provided a summary of the internal audit work undertaken during 2021/22 which had been used to inform the opinion on governance, risk and internal control. A total of 19 audits had been completed during the year of which 10 were substantial, five were reasonable, four were limited and none were inadequate. In addition, no fraud had been identified. A summary of the reports issued and their overall opinion was attached at Appendix 1 of the officer's report.

For the year ended 2021/22, the Head of the Internal Audit Consortium's opinion found that reasonable assurance could be provided on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Issues arising from audits completed during the year were used to inform the Annual Governance Statement; these included procurement, project management, health and safety and asset management.

The majority of audits scheduled for 2021/22 had been completed and the remaining audits would be scheduled into the 2022/23 Internal Audit Plan. A comparison of the completed and deferred audits was attached at Appendix 2 of the officer's report.

It was reported that quality control procedures had been established within the Internal Audit Consortium which were documented in the Quality and Assurance Improvement Programme attached at Appendix 3 of the officer's report.

The report also informed Members that the internal audit activity was organisationally independent.

The Head of the Internal Audit Consortium had compared performance against the Internal Audit Charter and found that the requirements of the Charter had been met during 2021/22.

Members expressed their thanks to the Internal Audit Team for their work in delivering the Internal Audit Plan.

***RESOLVED –**

That the Internal Audit Consortium Annual Report for 2021/22 be noted.

6 PROGRESS REPORT ON THE 2021/22 INTERNAL AUDIT PLAN

The Head of the Internal Audit Consortium presented a report summarising the internal audit reports issued during the period March 2022 to June 2022 in relation to the 2021/22 internal audit plan.

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

- 'Substantial assurance' – one
- 'Limited assurance' – two

A summary of these reports was provided in Appendix 1 of the officer's report and the limited assurance reports (Planning Fee Income and Non-Housing Property Repairs) were attached in full at Appendices 2 and 3 of the officer's report. The Committee were informed that no fraud had been detected.

The Development Management and Conservation Manager provided an update on the recommendations from the recent Planning Fee Income audit. Members were informed that the eight recommendations had been acted on and new processes and procedures were in place to ensure that fees were collected and reconciled in a robust way.

***RESOLVED –**

That the report be noted.

7 LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PUBLIC

***RESOLVED –**

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

8 PROGRESS REPORT ON THE 2021/22 INTERNAL AUDIT PLAN - APPENDIX 3

The Corporate Property Manager provided an update on the recommendations from the recent audit on Non-Housing Property Repairs. The audit had found that the property condition surveys and maintenance plans were out of date and a draft asset management plan required formal approval.

Additional resourcing within the team was required in order to develop and deliver the maintenance plans. A contractor would carry out the surveys of the properties and provide 10-year maintenance plans. An Interim Property Director, due to start in September, would manage the delivery of the maintenance plans and develop a new strategic asset management plan.

The Service Director – Finance informed members that the 10 year maintenance programme had been flagged up as a risk for the medium term financial plan as it could not be funded through borrowing under the prudential code.

Members commented that the issues arising from this report needed to be considered in more detail and that the risks should be properly assessed before being brought back to the Committee. In addition, Members raised concerns about the creation of the new Interim Property Director post and the relationship with the existing directors.

***RESOLVED –**

1. That a briefing be arranged for the Committee at the beginning of September to consider the risk assessment.
2. That the Interim Property Director be invited to attend the Standards and Audit Committee on 28 September, 2022.

9 LOCAL GOVERNMENT ACT 1972 - RE-ADMISSION OF THE PUBLIC

***RESOLVED –**

That the public be re-admitted to the meeting.

10 INTERNAL AUDIT UNTAPPED POTENTIAL

The Head of the Internal Audit Consortium presented a report to inform Members of a recent CIPFA publication titled “Internal Audit: untapped potential” which was attached at Appendix 1 of the officer’s report. The publication promoted the importance of internal audit and the benefit it can bring to organisations in terms of managing risks and improving the governance and control framework.

***RESOLVED –**

That the report be noted.

11 RIPA ANNUAL REPORT AND INSPECTION 2022

The Head of Regulatory Law and Monitoring Officer (and RIPA Senior Responsible Officer) presented the Regulation of Investigatory Powers Act 2000 (RIPA) Annual Report 2022 and informed Members of the outcome of the routine RIPA inspection by the Investigatory Powers Commissioner’s Office (IPCO).

The council has powers under the RIPA 2000 to conduct authorised directed surveillances and use of human intelligence sources in certain circumstances in connection with the conduct of criminal investigations.

The IPC oversees the exercise of surveillance powers and the IPCO carried out a three year inspection on 9 June, 2022 with the council's RIPA Senior Responsible Officer and the Data Protection Officer. The inspector was complimentary of the council's RIPA Policy and recommended some minor updates which were highlighted in Appendix 1 of the officer's report.

***RESOLVED –**

1. That the report and outcome of the 2022 RIPA inspection be noted.
2. That the Surveillance Policy be updated as set out in the officer's report and that the Head of Regulatory Law be authorised to make necessary consequential amendments.
3. That the proposed RIPA activity for 2022/23 be progressed.

**12 STANDARDS AND AUDIT COMMITTEE WORK PROGRAMME
2022/23**

The work programme for the Standards and Audit Committee for 2022/23 was considered.

***RESOLVED –**

That the work programme be noted.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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For publication

Implementation of Internal Audit Recommendations

Meeting:	Standards and Audit Committee
Date:	28 th September 2022
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 recommendations made, implemented and outstanding.

2.0 Recommendations

- 2.1 That the report be noted.
- 2.2 That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in April 2023.

3.0 Reason for recommendations

- 3.1 To inform Members of the progress made in respect of implementing internal audit recommendations so that they can assess if appropriate and timely action is being taken.

4.0 Report details

- 4.1 It has previously been agreed by the Standards and Audit Committee that a report detailing outstanding internal audit recommendations be brought to the Standards and Audit Committee every 6 months. The last report was brought in February 2022.
- 4.2 Attached, as Appendix 1, is a summary of made, implemented and outstanding internal audit recommendations as at the end of August 2022. There are 3 medium priority recommendations and 6 low priority recommendations outstanding, this is an improved position from 6 months

ago. Appendix 1 provides an update from managers in respect of each outstanding recommendation.

5.0 Alternative options

5.1 The report is for information

6.0 Implications for consideration – Financial and value for money

6.1 Internal audit recommendations are aimed at ensuring there are controls in place to protect the Council's finances and thus contributing towards achieving value for money.

7.0 Implications for consideration – Legal

7.1 None

8.0 Implications for consideration – Human resources

8.1 None

9.0 Implications for consideration – Council plan

9.1 The implementation of internal audit recommendations helps to ensure that governance, risk and control arrangements are in place and operating which in turn helps to ensure that the council's resources and priorities are focused on achieving the objectives within the council plan.

10.0 Implications for consideration – Climate change

10.1 Whilst there are not considered to be any direct climate change impacts in relation to this report, the implementation of internal audit recommendations will support the achievement of the Council's objectives.

11.0 Implications for consideration – Equality and diversity

11.1 None

12.0 Implications for consideration – Risk management

12.1 The timely implementation of internal audit recommendations helps to ensure that the risk of error or fraud is reduced and that internal controls are operating effectively.

Document information

Report author	
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Jenny Williams Head of the Internal Audit Consortium Finance	
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Background documents	
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These are unpublished works which have been relied on to a material extent when the report was prepared.	
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Appendices to the report	
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Appendix 1	Recommendations Made implemented and Outstanding
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**Summary of Internal Audit Recommendations Made, Implemented and Outstanding
(End of August 2022)**

	Number of Recommendations Made			
	2019/20	2020/21	2021/22	2022/23
High	9	1	8	2
Medium	35	28	31	4
Low	96	33	49	19
Total	140	62	88	25

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Audit	Date Audit Undertaken	Recommendations outstanding end of August 22		
		High	Medium	Low
Gifts & Hospitality	January 2020			1
Procurement	May 2020		1	
Ethical Governance	March 2021			2
Cyber Security & Network Security	May 2021		1	1
Property Safety Inspections	September 2021		1	2
Total		0	3	6

Audit Area	Recommendations	Priority	Agreed Imp Date	Managers Comments
Gifts, Hospitality and Personal Interests – January 20 Page 38	<p>A review of the current declaration process (gifts/hospitality and interests) is required with emphasis on the following controls being implemented:</p> <ul style="list-style-type: none"> • Central record to be maintained (alleviating the need for six monthly renewal of declaration returns) • All employees are regularly made aware of their duty to disclose gifts/hospitality and personal interests • The awareness communications are clear and easily understood • Declaration forms are made available to all employees • Declarations are reviewed when received • Evidence of approval of gifts/hospitality by Manager’s to be retained • A senior corporate manager is given responsibility for overseeing employee record collection and monitoring 	H – moved to Low as there is now a system in place, it could just be made less resource intensive with an IT solution	December 20	Due to competing priorities including ICT transformation required due to the Covid-19 pandemic we have not been able to progress an ICT solution. However, improvements have been made to ensure that returns are being centrally collated on a six monthly basis with retention and review, improved communication and access to forms. Further improvement is planned for 2022/23.
Procurement – May 20	<p>It is essential that a comprehensive procurement plan is created to ensure value for money and compliance to the procurement strategy across the council.</p>	M	End September 20	<p>The procurement unit continues persevering with service teams to establish full compliance with both internal governance and the Public Contract Regulations 2015. Records, monitoring and recording is in place using the E Procurement system which is fully compliant. However – the team continues to identify gaps in historic information</p>

Audit Area	Recommendations	Priority	Agreed Imp Date	Managers Comments
Page 39				and issues with compliant contracting and contract management information within current service processes in some areas. The procurement team is working with respective service team leads to capture required information and refresh \ revise required compliant procurement and spend management on an ongoing basis. Actions are also being taken to place greater rigor in spend controls within the council's financial system.
Ethical Governance – March 21	Due to the employee code of conduct being the key policy that underpins the council policies and details the ethical standards to be maintained, consideration should be given to including a separate section of the induction checklist specifically to the employee code of conduct to emphasise the importance of the code.	Low	July 2021. Revised date March 22	A full review of the on boarding process has been requested which will incorporate this request.
Ethical Governance – March 21	Inclusion of the confidential reporting (whistleblowing) process within the induction process to support the council in raising the aware of reporting employee concerns and fostering a reporting culture across the organisation should be considered.	Low	July 2021. Revised date March 22	A full review of the on boarding process has been requested which will incorporate this request.
Cyber Security & Network Security – May 2021	It is essential that a formal record of each employee's ICT policy acceptance is received and retained by ICT prior to access being granted to the corporate network.	Medium	31 st July 2021	A new Head of Digital & Technology was appointed on December 13 th 2021 and a review of the starter, mover, and leaver process has been

Audit Area	Recommendations	Priority	Agreed Imp Date	Managers Comments
				<p>scheduled to update the process to the match the changing approach to onboarding/offboarding during the pandemic, this will support policies are issued and accepted prior to system access being granted.</p> <p>Support has been requested from the Learning & Development Team to utilise the E-Learning portal to distribute and enforce mandatory acceptance of ICT's policies.</p>
<p>Cyber Security & Network Security – May 2021</p>	<p>Consideration should be given to the ICT department liaising with Learning and Development to annually review the completion rates of the Information Security Training course. Where completion rates are considered poor, these should be reported to CMT for further action to be taken.</p>	<p>Low</p>	<p>30th September 2021</p>	<p>A new Head of Digital & Technology was appointed on December 13th 2021 who has engaged with the Learning & Development Team to harness the E-Learning portal to deliver and report on completion rates of the Information Security Training Course.</p>
<p>Property Safety Inspections – September 2021</p>	<p>It is essential that the draft Gas and Electrical policies are formally approved and adopted by the council as soon as possible.</p>	<p>Medium</p>	<p>March 22</p>	<p>A compliance Improvement Plan is in place working alongside Savills. A programme has been put in place to ensure that all policies and</p>

Audit Area	Recommendations	Priority	Agreed Imp Date	Managers Comments
				management procedures are drafted by March 2023.
Property Safety Inspections – September 2021	It should be ensured that further work is completed to ensure the electrical testing programme is integrated with the housing system for better monitoring and regular reporting.	Low	Ongoing	A new asset management system is being introduced starting Nov/Dec 2022 which will take approx. 12 months to upload all information but will enable the tracking of electrical testing.
Property Safety Inspections – September 2021	Consideration should be given to ensuring a record of operative electrical training to ensure certifications remain up to date.	Low	April 2022	A training matrix is being produced for all HPS training.

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For publication

Review of the Internal Audit Charter

Meeting:	Standards and Audit Committee
Date:	28 th September 2022
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 2021. It was agreed that the Charter would be reviewed every year to ensure that it is kept up to date and in accordance with CIPFA best practice.
- 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. The only update made is to reflect a change of job title from Internal Audit Consortium Manager to Head of the Internal Audit Consortium
- 4.5 The Internal Audit Charter is attached as Appendix 1.

5 Alternative options

- 5.1 There are no alternative options.

6 Implications for consideration – Financial and value for money

- 6.1 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.

7 Implications for consideration – Legal

- 7.1 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”.

8 Implications for consideration – Human resources

- 8.1 None

9 Implications for consideration – Council plan

- 9.1 A current audit Charter will help to ensure that internal audit operates in accordance with the PSIAS which includes focusing on helping the Council to achieve the objectives within the council plan.

10 Implications for consideration – Climate change

10.1 There are not considered to be any direct climate change impacts in relation to this report. However, the adoption of a Charter means that Internal Audit will focus upon the Council’s main objectives and risks which include climate change issues.

11 Implications for consideration – Equality and diversity

11.1 None

12 Implications for consideration – Risk management

12.1 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.

Document information

Report author	
Jenny Williams Head of the Internal Audit Consortium	
Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
None	
Appendices to the report	
Appendix 1	Internal Audit Charter

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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 Head of the Internal Audit Consortium.

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 Head of the Internal Audit Consortium reports directly to each Council's Audit Committee and to each Chief Financial Officer/Director. The Head of the Internal Audit Consortium also has direct access to each Council's Chief Executive / Directors, Monitoring Officer and where necessary elected Members.
23. The Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium, 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 Head of the Internal Audit Consortium will report to the Joint Board.
29. The Head of the Internal Audit Consortium will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience. The Head of the Internal Audit Consortium

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 Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium who will direct alternative and independent resources to the audit.
42. Where internal audit staff are required to undertake non-audit duties, the Head of the Internal Audit Consortium will make it clear that those audit staff are not fulfilling those duties as internal auditors. The Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium and will be reported to each Council's Audit Committee for approval.

Reviewed and Updated August 2022

FOR PUBLICATION

LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REVIEW LETTER 2022

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

DATE: (1) 28TH SEPTEMBER 2022
(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 2022, relating to Chesterfield Borough Council's performance in the year ending 31st March 2022.

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 10 complaints were made about the council to the Ombudsman in the period 1st April 2021 to 31st March 2022 (in 2021 7 complaints were made).
- 4.3 These related to Benefits and Tax (1), Environmental Services and Public Protection and Regulation (3) Planning and Development (1), Housing (4) and Other (1).
- 4.4 Of the complaints decided in the same period, 2 were referred back for local resolution (these are typically because the Council's internal complaints procedures have not been used or used completely), 3 were closed after initial enquiries. On 3 advice was given. One complaint was incomplete/invalid. Individual decisions can be viewed on the Ombudsman website where published². It is not possible to discuss individual cases at the meeting as to do so would risk disclosing personal data.
- 4.5 Only one complaint (Planning and Development) was upheld by the Ombudsman in the year, with the authority providing a satisfactory remedy (an apology). The decision related to how the complaint had been handled, rather than to an error in the planning process. Of the five preceding years, in 2020/21 4 complaints had been upheld against the Council, with none in the years before that.
- 4.6 The Annual Review Letter also refers to the effect of lifting of Covid-19 restrictions and local authorities having new ways of working. The Ombudsman urges local authorities to consider how complaints are prioritised and resourced. Properly resourced complaints systems can give valuable insight to management and members, giving early signs of problems and opportunities to improve service delivery. Reference is made to the Local Government and Social Care Ombudsman working jointly with the Housing Ombudsman service to develop a joint complaint handling code, consolidating approaches and simplifying guidance.

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

² <https://www.lgo.org.uk/your-councils-performance/chesterfield-borough-council/statistics>

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 Report³.

5.0 **COMPARISON OF RECENT YEARS**

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

5.2 2021/22 had the third highest number of complaints - 10 (2018 had 17, 2020 had 15), 2021 and 2019 had 7 in each year.

5.3 In 1 case was the complaint upheld. 4 complaints were upheld last year, but none in the previous years.

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>51% (71% for counties)</i>
Chesterfield Borough Council	100% (1 of 1)
Derbyshire County Council	80% (24 of 30)
Derbyshire Dales District Council	0% (0 of 2)
North East Derbyshire District Council	33% (1 of 3)
Bolsover District Council	0% (0 of 0)

6.0 **CONCLUSION**

6.1 One Ombudsman complaint was upheld in the past year, where the error was in the complaint process (e.g. delay), rather than the planning process.

6.2 The Council has been developing a new complaints policy over the past months to take account of new Housing Ombudsman guidance. It is also developing an ICT solution so complaints, internal and Ombudsman, can be

³ <https://www.lgo.org.uk/information-centre/news/2021/jul/ombudsman-annual-review-highlights-widening-cracks-in-council-complaints-systems>

tracked and reported on, so service improvements can be made where appropriate. This committee will be reported to on the new complaints policy and procedures.

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

20 July 2022

By email

Mr Bowen
Chief Executive
Chesterfield Borough Council

Dear Mr Bowen

Annual Review letter 2022

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2022. The information offers valuable insight about your organisation's approach to complaints. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to encourage effective ownership and oversight of complaint outcomes, which offer such valuable opportunities to learn and improve.

Complaint statistics

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

Complaints upheld - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic.

Compliance with recommendations - We recommend ways for organisations 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 organisation upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit organisations that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data, and a copy of this letter, will be uploaded to our interactive map, [Your council's performance](#), on 27 July 2022. This useful tool places all our data and information about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

Supporting complaint and service improvement

I know your organisation, like ours, will have been through a period of adaptation as the restrictions imposed by the pandemic lifted. While some pre-pandemic practices returned, many new ways of working are here to stay. It is my continued view that complaint functions have been under-resourced in recent years, a trend only exacerbated by the challenges of the pandemic. Through the lens of this recent upheaval and adjustment, I urge you to consider how your organisation prioritises complaints, particularly in terms of capacity and visibility. Properly resourced complaint functions that are well-connected and valued by service areas, management teams and elected members are capable of providing valuable insight about an organisation's performance, detecting early warning signs of problems and offering opportunities to improve service delivery.

I want to support your organisation to harness the value of complaints and we continue to develop our programme of support. Significantly, we are working in partnership with the Housing Ombudsman Service to develop a joint complaint handling code. We are aiming to consolidate our approaches and therefore simplify guidance to enable organisations to provide an effective, quality response to each and every complaint. We will keep you informed as this work develops, and expect that, once launched, we will assess your compliance with the code during our investigations and report your performance via this letter.

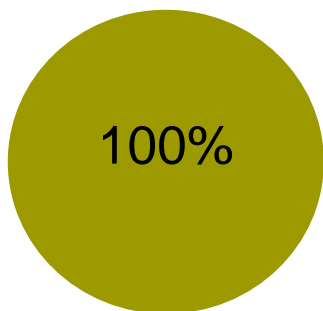
An already established tool we have for supporting improvements in local complaint handling is our successful training programme. We adapted our courses during the Covid-19 pandemic to an online format and successfully delivered 122 online workshops during the year, reaching more than 1,600 people. To 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



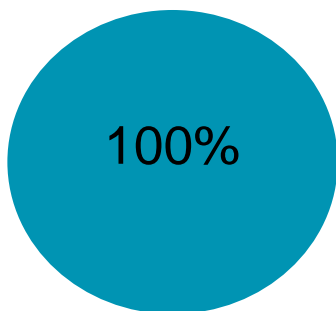
100% of complaints we investigated were upheld.

This compares to an average of **51%** in similar organisations.

1
upheld decision

Statistics are based on a total of **1** investigation for the period between 1 April 2021 to 31 March 2022

Compliance with Ombudsman recommendations



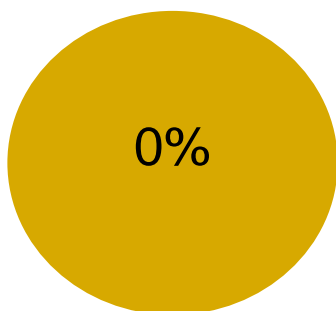
In **100%** of cases we were satisfied the organisation had successfully implemented our recommendations.

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

Statistics are based on a total of **3** compliance outcomes for the period between 1 April 2021 to 31 March 2022

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

Satisfactory remedy provided by the organisation



In **0%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **20%** in similar organisations.

0
satisfactory remedy decisions

Statistics are based on a total of **1** upheld decision for the period between 1 April 2021 to 31 March 2022

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Ombudsman Annual Letters – statistics - 2022

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/Null	Total
2022	0	0	1	0	3	0	4	1	1	10
2021	0	1*	1	1	0	0	1	3	0	7
2020	0	0	3	5	2	0	0	4	1	15
2019	0	0	3	0	1	0	0	2	1	7
2018	0	0	0	3	3	1	6	4	0	17

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
2022	1	3	2	3	0	1	100%	10	0	0
2021	0	1	1*	1	0	4	66%	6	3	1
2020	2	1	7	4	0	0	0%	14	0	0
2019	0	1	5	0	2	0	0%	8	0	0
2018	0	4	7	3	2	0	0%	16	0	0

*error by LGO? - DCC function

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For publication

Treasury Management Annual Report 2021/22 and Monitoring Report 2022/23

Meeting:	Standards and Audit Committee Council
Date:	28 th September 2022 19 th October 2022
Cabinet portfolio:	Deputy Leader
Directorate:	Finance

1.0 Purpose of report

- 1.1 To consider the Annual Treasury Management Report for 2021/22.
- 1.2 To consider the Treasury Management activities for the first five months of 2022/23

2.0 Recommendations

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

- 2.1 The outturn Prudential Indicators for 2021/22 be approved.
- 2.2 The treasury management stewardship report for 2021/22 be approved.
- 2.3 The treasury management position for the first five months of 2022/23 be noted.

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 2021/22 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 2021/22 and confirms compliance with the Council's approved policies.

4.2 Summary of the Annual Report

- 4.2.1 During 2021/22, 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	2020/21 Actual £'000	2021/22 Revised £'000	2021/22 Actual £'000
Actual capital expenditure	31,423	75,921	58,185
Capital Financing Requirement:			
- General Fund	24,665	59,624	56,560
- HRA	126,477	124,580	124,579
Total	151,142	184,204	181,139
External debt	125,429	139,089	143,489
Investments	32,420	10,000	27,167
Net borrowing	93,009	129,089	116,322

- 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 2021/22.
- 4.2.3 The financial year 2021/22 continued the challenging environment of low investment return, with bank base rates remaining at a record low of 0.10% for a significant part of the year. However, as a result of rising, persistent inflation the Bank of England raised bank base rate to 0.25% in December 2021, 0.5% in February 2022 and 0.75% in March 2022. There was a large differential between borrowing and investments rates during the year.

- 4.2.4 **Investments** – Interest income received for the year £21,000 against a budgeted amount of £7,000. The increase was as a direct result of the increased interest rates towards the latter part of the financial year. During the 2021/22 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 £25m earning an average rate of return of 0.06%.
- 4.2.6 **Borrowing** – As a result of the Council’s increasing CFR due to the capital programme new external borrowing was required during the year. In order to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required a mixture of long and short-term borrowing was undertaken. This comprised of £15m short-term borrowing and £5m of long term PWLB borrowing. In addition, 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 2021/22. Treasury recommendations were incorporated into the 2021/22 Treasury Management Strategy Statement that was approved by Council in February 2021.

4.3 Mid-year Review 2022/23

- 4.3.1 **Annual Investment Strategy** - 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 treasury investments before seeking the optimum 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.

The increases in Bank Rate at the MPC’s meetings in May, June and August and with the prospect of more increases to come, short-dated cash rates, which had ranged between 0.7% - 1.5% at the end of March, rose on average by 1.15% over the period.

Given the risk of short-term unsecured bank investments, the Council continues to invest with the Debt Management Office to achieve greater security.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the five months ended 31st August 2022.

- 4.3.2 **Internally Managed Cash Balance** - In the first quarter of the year the interest rates achieved were significantly higher than those assumed when setting the budget (1.13% against 0.2%), which has resulted in internal

investment returns being £29,000 better than forecast for the first quarter of the year.

4.3.4 **Borrowing activities in the period** – Short-term borrowing of £10m has been repaid during the first 5 months of 2021/22, of which £5m was re-financed.

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 £180.7m, the limit has not been breached.
- Operational Boundary – this was set at £164.3m for the year, again the limit has not been breached.

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	1134
Wards affected	All

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.	

This must be made available to the public for up to 4 years.

Appendices to the report

Appendix A	Annual Treasury Management Report 2021/22
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Treasury Management Outturn Report 2021/22

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.

The Council's treasury management strategy for 2021/22 was approved on 24th February 2021. The Authority has invested and borrowed 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 remains central to the Authority's treasury management strategy.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report.

The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 24th February 2021.

External Context

Economic background: The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail

and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series.

Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report.

Credit review: Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Revised CIPFA Codes, Updated PWLB Lending Facility Guidance: In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. 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. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish.

Local Context

On 31st March 2022, the Authority had net borrowing of £116.3m arising from its revenue and capital income and expenditure, an increase on 2021 of £23.3m.

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

	31.3.21 Actual £000	2021/22 Movement £000	31.3.22 Actual £000
General Fund CFR	23,775	32,785	56,560
HRA CFR	126,477	(1,898)	124,579
Total	150,252	30,887	181,139
Less: Usable reserves	(56,110)	7,575	(48,535)
Less: Working capital	(1,133)	(15,149)	(16,282)
Net borrowing	93,009	23,313	116,322

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 20212 and the year-on-year change is shown in table 2 below.

Table 2: Treasury Management Summary

	31.3.21 Balance £000	2021/22 Movement £000	31.3.22 Balance £000	31.3.22 Rate %
Long-term borrowing	125,429	3,060	128,489	3.74%
Short-term borrowing	0	15,000	15,000	0.16%
Total borrowing	125,429	18,060	143,489	
Long-term investments	0	0	0	
Short-term investments	0	(12,400)	12,400	0.05%
Cash and cash equivalents	32,420	17,653	14,767	0.06%
Total investments	32,420	5,253	27,167	
Net borrowing	93,009	23,313	116,322	

Borrowing Activity

At 31st March 2022, the Authority held £143 of loans, an increase of £18m 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

	31.3.21 Balance £000	2021/22 Movement £000	31.3.22 Balance £000	31.3.22 Rate %	31.3.22 Average maturity years
Public Works Loan Board	125,429	3,060	128,489	3.74	27 years
Short-term borrowing	0	15,000	15,000	0.16	<1 year
Total borrowing	125,429	18,060	143,489		

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.

The Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the borrowing need based on realistic projections, it was decided to take a combination of short-term borrowing and long-term repayment loans. The Authority borrowed £5m long-term fixed rate loans. These loans provide some longer-term certainty and stability to the debt portfolio.

Investment Activity

CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the

organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2021/22, the Authority's investment balance ranged between £12m and £42m 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

	31.3.21 Balance £000	2021/22 Movement £000	31.3.22 Balance £000	31.3.22 Rate %	31.3.21 Average maturity years
Government (incl. local authorities)	12,820	(420)	12,400	0.05	<1 year
Money Market Funds	19,600	(4,833)	14,767	0.06	<1 year
Total investments	32,420	(5,253)	27,167		

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 2021/22. As a result, investment risk was lowered.

Ultra low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on Money Market Funds being close to zero even after some managers have temporarily waived or lowered their fees. However,

higher returns on cash instruments followed the increases in Bank Rate in December, February and March.

Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) remained very low for much of the year with rates ranging from 0% to 0.1%, but following the hikes to policy rates increased to between 0.55% and 0.85% depending on the deposit maturity.

Other Non-Treasury Holdings and Activity

The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also broadens the definition of investments to include all such assets held partially or wholly for financial return.

The Authority holds £46m of directly owned investment property and land. The Authority also holds a £50,000 loan to the Derbyshire Building Control Partnership that commenced in March 2018, a £52,500 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	(21)	(7)	(14)
Total debt expense	4,685	4,689	(4)

GRAND TOTAL	4,664	4,682	(18)
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Compliance Report

The Service Director - Finance is pleased to report that all treasury management activities undertaken during 2021/22 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

	2021/22 Maximum	31.3.22 Actual	2021/22 Limit	Complied
Any single organisation (excluding Central Government)	£0m	£0	£5m	✓
Any group of funds under the same management	£0m	£0	£7.5m	✓
Enhanced Money Market Funds	£12m	£8.8m	£12m	✓

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

Table 7: Debt Limits

	2021/22 Maximum £000	31.3.22 Actual £000	2021/22 Operational Boundary £000	2021/22 Authorised Limit £000	Complied
Borrowing	£143,489	£143,489	£175,600	£188,800	✓

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 2021/22.

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	31.3.22 Actual	2021/22 Limit	Complied
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£111,000	£300,000	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£111,000	£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:

	31.3.22 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	12%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	6%	30%	0%	✓
5 years and within 10 years	10%	40%	0%	✓
10 years and within 25 years	47%	70%	20%	✓
25 years and above	22%	75%	15%	✓

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.

	2021/22	2022/23	2023/24
Actual principal invested > 364 days	£0	£0	£0
Limit on principal invested > 364 days	£10m	£10m	£10m
Complied	✓	✓	✓

Other

IFRS 16: The implementation of the new IFRS 16 Leases accounting standard was due to come into force for local authorities from 1st April 2022. Following a consultation CIFPA/LASAAC announced an optional two year delay to the implementation of this standard a decision which was confirmed by the Financial Reporting Advisory Board in early April 2022. Authorities can now choose to adopt the new standard on 1st April 2022, 1st April 2023 or 1st April 2024. The Authority intends to adopt the new standard on 1st April 2024.

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For publication

Decisions taken by officers under delegated powers

Meeting:	Standards and Audit Committee
Date:	28 September, 2022
Cabinet portfolio:	N/A
Directorate:	Corporate
For publication	

1.0 Purpose of the report

- 1.1 To report the decisions made by officers under delegated powers from the start of the municipal year to date.

2.0 Recommendations

- 2.1 That the report and schedule of officer decisions taken under delegated powers, attached at appendix 1, be noted.

3.0 Report details

- 3.1 The Council's delegation scheme in part 3 of the Constitution defines which functions have been delegated to officers. In accordance with section 7 and 8 of The Openness of Local Government Bodies Regulations 2014, decisions taken by officers under delegated powers are required to be published as soon as reasonably practicable after the decision is taken.
- 3.2 When an officer makes a decision under delegated powers, a record is placed on the Council's website which also states the reasons for the decision, alternative options considered and a record of any declared conflict of interest. The decisions are available to view by clicking here: <https://chesterfield.moderngov.co.uk/mgListOfficerDecisions.aspx?bcr=1&BAM=1>
- 3.3 After a recent internal audit of committee report processes, it was recommended that consideration be given to reporting officer decisions to committee on a regular basis for member review. In response to this recommendation, a report providing details of officer decisions will be submitted to the Standards and Audit Committee in September and April each year.

3.4 The details of officer decisions taken during the period May to early September can be found in the schedule attached at appendix 1 of the report. Any questions regarding decisions in the schedule should be directed to the officer who has taken the decision.

3.5 Officer delegated decisions on planning matters are already reported to the Planning Committee therefore they will not be included in this report.

4.0 Alternative options

4.1 The alternative option is to not report the decisions to the Standards and Audit Committee. Reporting officer decisions to this Committee strengthens the council's governance arrangements by providing further oversight of the exercise of delegated powers and promotes accurate and timely reporting of decisions by officers.

5.0 Implications for consideration – Financial and value for money

5.1 Reporting officer delegated decisions to the Standards and Audit Committee increases the transparency of decision making and allows oversight of the exercise of council functions which may involve spend.

6.0 Implications for consideration – Legal

6.1 Publication of officer decisions is a legal requirement under The Openness of Local Government Bodies Regulations 2014. The requirements of the Regulations are met by publishing the officer decisions on the council's website as soon as is reasonably practicable; this report further enhances the openness of officer delegated decisions.

7.0 Implications for consideration – Human resources

7.1 Officers submit decisions to the democratic services team either by Modern.Gov or by email, the democratic services team then publish the decision record on the council's website. The administration of officer decisions is already built into the teams' resource.

8.0 Implications for consideration – Council plan

8.1 Improving the oversight of officer decisions raises awareness of council decision making and increases the accessibility of information on how the council is delivering its services.

9.0 Implications for consideration – Climate change

9.1 Whilst this report does not have a direct impact on the climate, many of the council's decisions, including officer delegated decisions, will have an impact

on climate change. This report provides an additional opportunity to engage the public in climate change issues by raising the profile of officer delegated decisions.

10.0 Implications for consideration – Equality and diversity

10.1 The schedule document at appendix 1 has been designed in an accessible format.

11.0 Implications for consideration – Risk management

11.1 The council is meeting its legal requirements by publishing officer delegated decisions onto the website as soon as is reasonably practicable. There are no risks associated with not introducing a report of the officer decisions, however the report enhances the council’s current decision publishing arrangements.

Decision information

Key decision number	<i>Non-key</i>
Wards affected	All wards

Document information

Report author	
Rachel Appleyard, Senior Democratic and Scrutiny Officer, Corporate directorate.	
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 1	Schedule of officer decisions from May to September 2022

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Schedule of Officer Decisions for the period May to September 2022

Date of decision	Report title	Delegation reference	Decision	Reasons for decision	Decision Maker
16/06/2022	To purchase seven new build properties at New Hall Road Brampton for the Housing Service	Pursuant to Cabinet Minute No. 50 (2019/20) – to purchase properties that meet the requirements of the Strategic Acquisitions and Right-of-First Refusal policy within the budget agreed in the Housing Capital Programme.	To purchase the seven units for £1.46m under the Council's Strategic Acquisitions Policy.	To help the Council achieve the Council Plan target to deliver 100 new affordable homes by 2023.	Service Director - Housing
13/09/2022	Approval of commuted sums in relation to sale of land east of Linacre Road	Pursuant to Minute No. 31 (Cabinet, 2020/21) "That delegated authority be granted to the Executive Director, in consultation with the Cabinet Members for Economic Growth and Housing, to approve the final terms and detailed	Following consultation with the Cabinet Members for Economic Growth and Housing, 1. To agree that, given the independent valuer's assessment, and taking into account	1. The financial offer made represents good commercial value for the site, based on advice provided by the council's commissioned surveyor and market advisor for this site.	Executive Director

		<p>contract of sale and conclude the transaction.”</p>	<p>legal advice, the sale proceeds, and all commuted sums payable, this agreed sum represents best value for the Council and that the land at Linacre be transferred to Tilia Homes pursuant to the contract for sale.</p> <p>2. To approve the payment of all commuted sums arising from the contract for the sale of land east of Linacre Road and proposed planning obligations necessary for approval of planning permission for the proposed development.</p>	<p>2. The housing scheme of 301 units continues to achieve the outcomes set out in the development brief/masterplan and the adopted Local Plan, the Chesterfield Borough Local Plan 2018-2035.</p> <p>3. The development would achieve a number of the Council’s housing and planning objectives as set out in the Housing Strategy and the adopted Local Plan.</p> <p>4. The commuted sums and obligations as a result of consideration of the application for planning</p>	
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			3. To approve that the Council enters into an agreement under Section 106 of the Town and Country Planning Act 1990 as landowner and chargee to enable planning permissions to be issued.	permission, are necessary to facilitate the grant of planning permission.	
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**Standards and Audit Committee
2022/23 Work Programme**

Scheduled meeting dates:	Business items: (please note these are subject to change due to operational or workload pressures)	Function/Lead
20 April, 2022	Update on QPSC and Markets Internal Audit Recommendations	Leisure, Sport and Cultural Services
	Progress update on the 2021/22 Internal Audit Plan	Internal Audit
	Chesterfield Borough Council Internal Audit Plan 2022/23	Internal Audit
	Review of the Code of Corporate Governance and the 2021/22 Annual Governance Statement	Internal Audit
	Updates to the Constitution	Standards and Governance
27 July, 2022	Standards and Audit Committee Annual Report	Internal Audit
	Internal Audit Consortium Annual Report 2021/22	Internal Audit
	Internal Audit Consortium Progress Report	Internal Audit
	Internal Audit Untapped Potential	Internal Audit
	RIPA Annual Report	Standards and Governance
28 September, 2022	Summary of Internal Audit Reports issued and progress update on the 2022/23 Internal Audit Plan	Internal Audit
	Review of the Internal Audit Charter	Internal Audit
	Implementation of Internal Audit Recommendations	Internal Audit

	Ombudsman Annual Review Letter	Standards and Governance
	Treasury Management Annual Report 2021/22 and Monitoring Report 2022/23	Finance
	Audit Report on the 2021/22 Statement of Accounts*	Finance/External Auditors
	Report on Officer Delegated Decisions	Democratic Services
23 November, 2022	Summary of Internal Audit Reports issued and progress update on the 2021/22 Internal Audit Plan	Internal Audit
	Review of Unreasonable Complaints Policy	Standards and Governance
	Standards and Audit Committee Self-Assessment	Internal Audit
	Climate Change	Corporate/Climate Change Officer
	LGA Code of Conduct	Standards and Governance
	Updates to the Constitution	Standards and Governance
15 February, 2023	Risk Management Strategy and Strategy Risk Register	Health, Safety and Risk
	Treasury Management Strategy 2023/24	Finance
	External Audit Progress Report	External Auditors
	Audit Strategy Memorandum	External Auditors
	Outstanding Internal Audit Recommendations	Internal Audit
	Progress Update on the 2022/23 Internal Audit Plan	Internal Audit
	Standards of Conduct Annual Report	Standards and Governance

26 April, 2023	Progress update on the 2022/23 Internal Audit Plan	Internal Audit
	Chesterfield Borough Council Internal Audit Plan 2023/24	Internal Audit
	CIPFA Fraud and Corruption Survey Results 2022	Internal Audit
	Review of the Code of Corporate Governance and the 2022/23 Annual Governance Statement	Internal Audit
	Audit Strategy Memorandum 2022/23	External Auditors
	2022/23 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
TBC	Procurement Update	Procurement
TBC	External Review of Internal Audit	Internal Audit

*may move to November depending on deadlines.

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